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**TRAFFORD
COUNCIL**

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 15 July 2020

Time: 4.00 p.m.

Place: Virtual Meeting

**PLEASE NOTE: A link to the virtual meeting can be found below:
<https://www.youtube.com/channel/UCjwbIOW5x0NSe38sgFU8bKg>**

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A G E N D A	PART I	Pages
1.	ATTENDANCES	
	To note attendances, including Officers and any apologies for absence.	
2.	QUESTIONS FROM MEMBERS OF THE PUBLIC	
	A maximum of 15 minutes will be allocated to public questions submitted in writing to Democratic Services (democratic.services@trafford.gov.uk) by 4 p.m. on the working day prior to the meeting. Questions must be relevant to items appearing on the agenda and will be submitted in the order in which they were received.	
3.	DECLARATIONS OF INTEREST	
	Members to give notice of any interest and the nature of that interest relating to any item on the agenda in accordance with the adopted Code of Conduct.	
4.	MINUTES	1 - 4
	To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 5 th February, 2020. [NOTE: The meeting scheduled for 24 th March 2020 was in the event cancelled, as a result of the Covid-19 emergency.]	
5.	2019/20 DRAFT ANNUAL GOVERNANCE STATEMENT	To Follow
	To consider a report of the Corporate Director, Governance and Community Strategy.	

6. **EXTERNAL AUDIT PROGRESS REPORT** 5 - 14
To consider a report of the Council's External Auditor.
7. **2020/21 AUDIT FEE LETTER** 15 - 18
To note the enclosed correspondence from Public Sector Audit Appointments.
8. **2019/20 TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT** 19 - 42
To consider a report of the Executive Member for Finance and Investment and Corporate Director, Finance and Systems.
9. **2019/20 REVENUE BUDGET MONITORING OUTTURN AND CAPITAL INVESTMENT PROGRAMME OUTTURN REPORTS** 43 - 82
To consider a report of the Executive Member for Finance and Investment and Corporate Director, Finance and Systems.
10. **2019/20 ANNUAL HEAD OF INTERNAL AUDIT REPORT** 83 - 120
To note a report of the Audit and Assurance Manager.
11. **2020/21 INTERNAL AUDIT PLAN** 121 - 162
To note a report of the Audit and Assurance Manager.
[PLEASE NOTE: This paper was previously circulated to Members for information in March 2020.]
12. **STRATEGIC RISK REGISTER UPDATE REPORT** 163 - 184
To consider a report of the Audit and Assurance Manager.
13. **ACCOUNTS AND AUDIT COMMITTEE 2019/20 ANNUAL REPORT** 185 - 202
To consider a report of the Audit and Assurance Manager.
[PLEASE NOTE: Item also to be referred to Council.]
14. **ACCOUNTS AND AUDIT COMMITTEE 2020/21 WORK PROGRAMME** 203 - 206
To consider a report of the Audit and Assurance Manager, for comment / approval.
15. **URGENT BUSINESS (IF ANY)**
Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

Accounts and Audit Committee - Wednesday, 15 July 2020

Membership of the Committee

Councillors B. Brotherton (Chair), C. Boyes, G. Coggins, J. Dillon, A. Duffield, J. Lloyd (Vice-Chair), A. Mitchell, B.G. Winstanley and Mrs. Platt.

Further Information

For help, advice and information about this meeting please contact:

Joseph Maloney, Governance Officer,
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This agenda was issued on **Tuesday, 7 July 2020** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH.

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ACCOUNTS AND AUDIT COMMITTEE

5 FEBRUARY 2020

PRESENT

Councillors B. Brotherton (in the Chair), C. Boyes, G. Coggins, J. Lloyd, A. Mitchell and B. Winstanley; and Mrs. J. Platt (Independent Member).

IN ATTENDANCE

Deputy Director of Finance (G. Bentley),
Audit and Assurance Manager (M. Foster),
Director of Procurement (L. Cox) (part only),
Head of Governance (D. Sykes) (part only),
Finance Manager (F. Fallon),
Finance Manager (N. Rylands),
Governance Officer (J.M.J. Maloney).

ALSO IN ATTENDANCE

Mr. T. Rooney (Mazars).

APOLOGIES

Apologies for absence were received from Councillors J. Dillon, A. Duffield and P. Lally.

35. QUESTIONS FROM MEMBERS OF THE PUBLIC

It was reported that no questions had been received for referral to this meeting.

36. MINUTES

RESOLVED – That the Minutes of the Meeting held on 30th October 2019 be approved as a correct record and signed by the Chair.

37. PROCUREMENT UPDATE - PRESENTATION BY STAR

Lorraine Cox, Director of Procurement, was in attendance to provide Members with a presentation which covered aspects of STAR Procurement's activities, achievements and future plans. Particular emphasis was laid on work being undertaken to maximise social value achieved through procurement, and the teams' efforts in securing compliance in contracting, which was of particular interest to this Committee. An opportunity was provided for Members to raise questions on the presentation's content. These focussed on the nature of the TOMS social value criteria (further details of which were available to Members on request), the approach used by the STAR team to enhance contracting compliance, and further analysis of the monetary value percentage of contracts awarded to local businesses. It was agreed that further details would be supplied outside the meeting.

RESOLVED – That the content of the presentation be noted.

38. ANNUAL GOVERNANCE STATEMENT 2019/20: APPROACH AND TIMETABLE

The Interim Head of Governance submitted a report which set out the action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2019/20. Members were advised that in due course the Committee would have input to reviewing a draft version of the Statement prior to it being finalised and signed off by the Chief Executive and Leader of the Council.

RESOLVED –

- (1) That the timetable / action plan be noted.
- (2) That it be noted that the Committee will have input to reviewing a draft version of the Annual Governance Statement prior to it being finalised and signed off by the Chief Executive and Leader.

39. TREASURY MANAGEMENT STRATEGY 2020/21 - 2022/23

The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems submitted a report presenting for the Committee's consideration the key features of, and processes associated with the operation of, the proposed Treasury Management Strategy from 2020/21 onwards, for recommendation to Council. An opportunity was provided for Members to raise questions in relation to the report's content. These centred on: the extent to which global factors affecting the economy impacted on the assessment of investment risk and returns; the current and proposed operational boundary on external debt financing for asset investments; the extent of the Council's ownership and expected rate of return in respect of certain specific assets; and the extent to which the Strategy might be employed to facilitate a range of outcomes, including in relation to equalities and diversity aspirations. It was agreed that the officers would discuss the latter point further with Members outside the meeting.

RESOLVED –

- (1) That it be recommended that the Executive note the report.
- (2) That it be recommended that Council approve the Treasury Management Strategy 2020/21 – 2022/23 including the:
 - policy on debt strategy as set out in section 3 of the report;
 - investment strategy as set out in section 5 of the report;
 - Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3 of the report.

40. AUDIT STRATEGY MEMORANDUM - YEAR ENDING 31 MARCH 2020

On behalf of the Council's External Auditor, Tommy Rooney was in attendance to introduce the key features of the Audit Strategy Memorandum now presented for Members' information. In discussion, it was noted that it was unlikely that the current risk assessment in relation to the OFSTEd inspection of Children's Social Care would change pending a further assessment by the regulator. Questions were also raised regarding the input by the expert valuers appointed by the Council in respect of a range of assets, and the extent to which the auditor took an independent view of expert opinions received.

RESOLVED – That the content of the Audit Strategy Memorandum be noted.

41. EXTERNAL AUDIT PROGRESS REPORT JANUARY 2020

On behalf of the Council's External Auditor, Tommy Rooney was in attendance to introduce their Audit Progress Report as at January 2020, it being noted that external audit staff were currently on site in connection with their planned work. The report also set out, as usual, details of a selection of national publications which were potentially of use to the Committee in undertaking its responsibilities.

RESOLVED – That the content of the progress report be noted.

42. AUDIT AND ASSURANCE REPORT FOR THE PERIOD SEPTEMBER TO DECEMBER 2019

The Audit and Assurance Manager submitted a report which provided a summary of the work of the Council's internal Audit and Assurance service during the period September to December 2019, and which sought to provide ongoing assurance to the Council on the adequacy of its control environment. Attention was drawn to the identified issue of software licensing, and also to the high proportions of accepted and implemented recommendations during the period. A current shortfall in audit days was expected to be remedied by the end of the audit year by the appointment of a number of staff to fill in-year vacancies arising.

RESOLVED – That the content of the report be noted.

43. BUDGET MONITORING REPORT: PERIOD 8 2019/20

The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems submitted a report which informed Members of the current 2019/20 forecast outturn figures relating to both Revenue and Capital budgets. It also summarised the latest forecast position for Council Tax and Business Rates within the Collection Fund. Members' attention was drawn in particular to the agreed Capital virement to support the Disabled Facilities Grant budget, and to key elements of the current net budget variances.

RESOLVED –

- (1) That the report and the changes to the Capital Programme and Asset Investment Fund as detailed in Paragraphs 21 and 29 be noted.

Accounts and Audit Committee

- (2) That the virement be noted of £432,000 from within the Capital Programme to the Disabled Facilities Grant budget to help support the expenditure pressures in this area.
- (3) That the movements in reserves set out in paragraph 10 of the report be noted.

44. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2019/20

The Audit and Assurance Manager submitted a report which set out progress to date against the work plan for the Committee for the 2019/20 municipal year. In reviewing the programme Members were advised that, in order to take account of current developments, the update on the Information Governance element of the Strategic Risk Register would now be brought to the Committee's March meeting. In respect of the Grant Claims item listed on the programme, the Committee was advised that the most significant element related to the Housing Benefit Subsidy claim; the auditors had now issued their report on this claim and identified no significant adverse findings.

RESOLVED – That the content of the report be noted.

The meeting commenced at 6.30 p.m. and finished at 8.08 p.m.

Audit Progress Report

Trafford Council

July 2020





CONTENTS

1. **Audit progress**
2. **National publications**

This document is to be regarded as confidential to Trafford Council. It has been prepared for the sole use of the Accounts and Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

Purpose of this report

This report provides the Accounts and Audit Committee with an update on progress in delivering our responsibilities as your external auditors. It also includes in section 2 a summary of technical / emerging issues within the sector that committee members may find useful.

Ensuring resilience and maintaining the level and quality of client service

Since the Committee last met the impact of the Covid-19 pandemic has changed our environment in a way not seen before. Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us.

On 17 March 2020, following Government announcements, Mazars made the decision to close its offices and require all staff to work from home. The challenges this has brought are significant and still being felt.

Beyond protecting the welfare of our clients and people, Mazars' first priority is to continue to deliver on our business commitments. As part of our existing contingency planning, we have implemented systems and procedures to ensure continuity and to minimise any disruption. In a shifting environment, we will continue to adapt our approach to best navigate the uncertain situation while keeping our people and our clients front of mind.

Our teams have full access to remote working technology with secure access to their applications, tools and data, wherever they are, and agile working processes are well-established across the firm. All partners and staff are working remotely, and our teams are making full use of virtual meetings and agile working technology to stay connected with each other and our clients, deliver on our commitments, and provide continuity and support at the time it's most needed.

Mazars' external website contains further details of its response to the emerging situation, along with daily economic briefings.

Responding to the changes – working with the Council

We are committed to supporting the Council as best we can throughout the current period, recognising first and foremost the need to be flexible as the current environment changes, but also the significant pressures on the Council's finance team. We have continued to maintain open communication throughout the period.

We are able to carry out the audit remotely and have put in place arrangements to allow this, such as routine regular update meetings, use of the our Huddle file sharing site for secure transfer of data and keeping query logs. The key difference is we will not, until further notice, have a physical on-site presence. We will however maintain communication via regular conference and video calls.

1. AUDIT PROGRESS

Financial Reporting workshop

Mazars is proud to be one of the leading providers of external audit to Local Government. Reflecting our sector-leading position, we held our 2019/20 Financial Reporting workshop in Stockport in February 2020, and the Council finance officers attended and contributed to the discussions.

These workshops are designed to provide Council finance staff with our understanding of the key changes and challenges in the financial reporting requirements for the year. They enable our national Local Government technical experts to reflect their experiences and their discussions with CIPFA and the wider accounting profession, and provide a good networking and discussion opportunity for Councils.

Audit progress

With regards to our external audit of the Council, since the last Committee meeting we have updated our documentation and understanding of the payroll system and also the social care expenditure system, for which we also completed walkthrough testing. Our walkthrough testing of the payroll system will be completed as part of our final accounts audit.

We also completed:

- sample testing of non-pay expenditure transactions to January 2020 and tested fees and charges and grant income to December 2019.
- some testing of the Council's Property, Plant & Equipment and Investment property additions to February 2020.
- sample testing of housing benefits claims to December 2019 and testing system parameters for 2019/20.
- agreement of the 2019/20 opening balances to the Council's ledger.
- payroll trend analysis and some payroll testing to January 2020.

We also met with the Corporate Director Finance and Systems, senior members of her team and the Monitoring Officer in April and June and have maintained contact with the Finance team to ensure that we remain up to speed with the Council's response to the challenges and its plans regarding financial reporting.

We revised our audit resource plans to ensure that we deliver the external audit of the financial statements in line with the Council's revised plans, as set out below.

- The Council will provide the draft accounts when they were published on the Council website on 16 July 2020.
- The Council's plans are to publish the final signed Financial Statements and AGS by the end of November 2020.
- We will commence our detailed audit of the financial statements on 20 July. Our resource plans are based on completing the audit work in July and August.

We can confirm that the audit is on track to deliver to the revised national timetable and, based on our work to date, there are no matters that we need to bring to the attention of the Committee.

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
Public Sector Audit Appointments			
1	Publication of 2020/21 scale of audit fees	PSAA has written to all Councils setting out the next year's external audit fees	6
National Audit Office			
2	New Code of Audit Practice 2020/21	Publication of the Code of Practice that prescribes the focus of the external audit and auditor reporting for five years from 2020/21	7
3	Local authority investment in commercial property	Report on the developments of LA investments in commercial property	7
Ministry of Housing, Communities & Local Government (MHCLG)			
4	Final local government finance settlement: England, 2020 to 2021	Announcement of the finance settlement for 2020/21	8
5	Northamptonshire County Council: fourth commissioners' report	Report from the appointed commissioner	8
Other			
6	Statement on Covid-19, Financial Reporting Council and other Regulators	Statement on the impact of the Covid-19 pandemic on accounting, reporting and auditing	9

2. NATIONAL PUBLICATIONS – PSAA

1. PSAA 2020/21 scale of audit fees, March 2020

PSAA has published the fee scale for the audit of the 2020/21 accounts of opted-in principal local government and police bodies, and wrote to those bodies to notify them of the fee.

The 2020/21 fee scale document sets out the scale of fees for the audit work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at relevant principal authorities that have opted into PSAA's national auditor appointment arrangements.

PSAA describes in their letter that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. In their letter they conclude that

“we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage. The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit.”

The published scale fee for the Council's 2020/21 audit is unchanged from 2019/20 at £91,008.

<https://www.psaa.co.uk/audit-fees/2020-21-audit-fee-scale/>

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

2. New Code of Audit Practice 2020/21, February 2020

The NAO have published their final draft of the Code following the consultation process. The Code has now been laid before Parliament and, subject to Parliamentary approval, will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

Accompanying the Code is a document that sets out the issues the NAO considered as a result of the feedback to Stage 2 of the consultation on the exposure draft of the Code, and highlights the key changes made to the text of the final draft of the Code.

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice-consultation_response.pdf

3. Local authority investment in commercial property, February 2020

In response to substantial falls in funding since 2010/11, local authorities have made reductions in revenue spending on services. Increasingly, authorities have also sought to offset funding reductions by generating new income through a range of strategies. A key component within these responses has been a rapid expansion in the acquisition of commercial property, often funded by borrowing.

The NAO estimates that authorities spent £6.6 billion on purchasing commercial property from 2016/17 to 2018/19 – 14.4 times more than in the preceding three years. This includes an estimated £3.1 billion on acquiring offices; £2.3 billion on retail property, including £759 million on shopping centres or units within them and £957 million on industrial property. The majority of the £6.6 billion was spent by only 49 local authorities, with those authorities accounting for 80% of the spend. Many authorities have borrowed to finance these purchases. The NAO estimates that between 38% and 91% of spending on these purchases across the sector was financed by borrowing in this period.

The report concludes that although there is evidence of authorities mitigating these risks, such as by recruiting specialist staff, undertaking due diligence on their purchases, drawing on external expertise and establishing contingency funds, there was room for improvement in the governance and risk mitigation arrangements of some authorities.

The Ministry of Housing, Communities and Local Government (MHCLG) is responsible for the framework of statutory codes and guidance that set the parameters for local authority borrowing and capital spending. MHCLG has made changes to aspects of the framework in response to the recent increased investment in commercial property. Recent activity has raised questions about the extent to which MHCLG can rely on the present framework to support authorities to make decisions which demonstrate good value for money.

The NAO recommends that MHCLG improves the relevance and quality of data and analysis it has on authorities' acquisition of commercial property to understand more fully any risks and to provide greater assurance that authorities are complying with the framework. It also recommends that the Ministry should review whether the current framework is still achieving its intended aims.

<https://www.nao.org.uk/report/local-authority-investment-in-commercial-property/>

2. NATIONAL PUBLICATIONS – MHCLG

4. Final local government finance settlement: England, 2020 to 2021, February 2020

Following the provisional settlement, the Ministry of Housing, Communities and Local Government published the collection of documents that comprise the final settlement for Local Government.

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2020-to-2021>

5. Northamptonshire County Council: fourth commissioners' report, January 2020

MHCLG have published the fourth commissioner's report into Northamptonshire County Council. This report sets out the progress made to stabilise the council's finances, and to strengthen the council's scrutiny and governance processes. The commissioner's work continues to support the setting up of the 2 new shadow authorities from May 2020.

<https://www.gov.uk/government/publications/northamptonshire-county-council-fourth-commissioners-report>

2. NATIONAL PUBLICATIONS – OTHER

6. Statement on Covid-19, Financial Reporting Council and other Regulators, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.

Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”

The statement highlights:

- The likelihood of an increase in the number of modified audit opinions (where there are difficulties in obtaining evidence or other issues);
- Increased going concern assumption considerations and uncertainties; and
- Guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>

CONTACT

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30 April 2020

By email

Email generalenquiries@psaa.co.uk

Dear Section 151 Officer and Audit Committee Chair

Fee Scale for the Audit 2020/21 and update on 2019/20

I am writing to notify you of your 2020/21 audit scale fee. In previous years your auditor has been required to write to you to do this. However, going forward, we have agreed with the audit firms that it is more efficient for PSAA to write out to all bodies directly.

PSAA commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year, and we published the 2020/21 scale fees on our website on 31 March 2020. In addition to notifying you directly of your scale fee, this letter provides you with key updates and information on audit matters in these difficult times.

We wrote to all S151 officers on 12 December 2019 describing that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. These pressures still apply and the key aspects are summarised below;

- It is apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part. As you know, these high profile events have led the Government to commission three separate reviews - Sir John Kingman has reviewed audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon has reviewed the audit product.

- It is not yet clear what the long term implications of these reviews will be. However, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.

How we set your scale fee

We consulted on the 2020/21 Scale of Fees in early 2020 and received a total of 54 responses. We published the final document on our website ([Scale fee document](#)). In it we explained that although we have set the scale audit fee at the same level as for 2019/20, we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage.

The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit

	Scale fee for the audit 2020/21	Scale fee for the audit 2019/20
Trafford Metropolitan Borough Council	£91,008	£91,008

As well as the Scale of Fees document, we have also produced a [Q&A](#) which provides detailed responses to the questions raised as part of the consultation. We will update the Q&As periodically to take account of ongoing developments affecting scale fees.

The fee for the audit is based on certain assumptions and expectations which are set out in the [Statement of Responsibilities](#). This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of both in certain areas.

The final fee for the audit will reflect the risk-based approach to audit planning as set out in the Code. Under the Code, auditors tailor their work to reflect local circumstances and their assessment of audit risk. This is achieved by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting audit responsibilities or financial reporting standards.

Fee Variations

As noted above, we recognise that with so much turbulence and change in the local audit environment, additional fee variations are likely to arise for most if not all bodies.

The amount of work required on arrangements to secure VFM is a matter of auditor judgement and is based on the requirements set out in the new Code and supporting guidance which will be published later in 2020. Once the Auditor Guidance Notes have been published we will be able to consider the impact of the new requirements in more depth, and may be able to provide indicative ranges in relation to the likely fee implications for different types and classes of body.

Given that local circumstances at each audited body are key to determining the assessment of risk and the audit work required, we would encourage early dialogue with your auditor to determine any related implications for fees. The process for agreeing fee variations begins with local communication, and ideally agreement. We have produced a fee variation process note which is available on our website ([Fee variations process](#)). Please note that all fee variations are required to be approved by PSAA before they can be invoiced.

Quality of Audit Services

We are committed to do all we can to ensure good quality audits and a high-quality service for the bodies that have opted into our arrangements. The service that you can expect to receive from your auditors is set out in their Method Statement, which is available from your auditors.

Whilst professional regulation and contractual compliance are important components of the arrangements for a quality audit service, so too is the aspect of relationship management. We recently commissioned a survey via the LGA Research team to obtain audited bodies' views of the audit service provided to them. The themes and improvement areas from the survey will be discussed with firm contact partners for development at a local level. The results from our 2018/19 survey of all opted-in bodies will be available on our website in May and we will notify all S151 officers and Audit Committee Chairs.

Impact of COVID-19 on current 2019/20 audits

The global COVID-19 pandemic has created further turbulence impacting on all aspects of the economy including the public sector. There are potentially significant repercussions for the delivery of audits, audit-related issues and delays to signing audit opinions for 2019/20. MHCLG has acted to ease these pressures by providing more flexibility in the 2019/20 accounts preparation and auditing timetable by temporarily revising the Accounts and Audit Regulations. This has extended the period which an authority has to publish its draft financial statements until 31 August, and importantly there is much greater flexibility for the public inspection period as it is now required to start on or before the first working day of September 2020. The revised date for publishing audited accounts (if available) is 30 November 2020.

We recommend that you discuss with your auditors the use that can be made of this flexibility in meeting mutual governance and assurance responsibilities, noting that in a letter to all local authority Chief Executives on 22 April, MHCLG encouraged approval of pre-audit accounts earlier than 31 August if possible.

We have referred to the importance of audit quality in this letter, and just as important is the quality of the pre-audit financial statements and the working papers that are prepared by bodies. The disruption caused by COVID-19 will impact on areas of judgement and creates uncertainty in preparation of the financial statements, and it is key that bodies ensure there is sufficient focus upon financial reporting and related processes and controls, and that the planned timetable allows for sufficient internal quality assurance and review of financial reporting issues taking into account the wider impact of the pandemic on the officers' time.

Local Audit Quality Forum

Our Local Audit Quality Forum focuses on providing information to support audit committees (or equivalent) in delivering their remit effectively. We are disappointed that we are not able to host our planned event this summer due to the COVID-19 pandemic. However, we plan to host our next event towards the end of the year. It will provide an opportunity to discuss a range of relevant topics and themes. If there are any particular areas you would like to see included on a future agenda, or if you wish to raise any other issues with PSAA, please feel free to contact us at generalenquiries@psaa.co.uk

Your auditor will, of course, be best placed to answer any questions you may have with regard to your audit.

Yours sincerely,

Tony Crawley

Chief Executive

TRAFFORD COUNCIL

Report to: Accounts & Audit Committee 15th July 2020
Executive 20th July 2020
Council Meeting 30th July 2020

Report for: Information

Report of: The Executive Member for Finance and Investment
and the Corporate Director of Finance and Systems

Treasury Management Annual Performance 2019/20 Report

Summary

This report outlines the key treasury management activities undertaken during 2019/20 as follows:

- All legislative and regulatory requirements, including all treasury management prudential indicators have been complied with;
- The average level of external debt and interest rate payable for 2019/20 was £296.2m and 2.90% and this compares to £175.4m & 3.97% in 2018/19;
- The average level of treasury investments for 2019/20 was £98.2m with a rate of return of 1.12% compared with 2018/19 when the equivalent figures was £86.7m and 1.06% respectively;
- Net budget savings of £(1.2)m were generated mainly as a result of increased levels of income received from Manchester Airport Holding Limited in the form of share dividends and loan contributions.

Recommendations

That the Accounts & Audit Committee note and approve the treasury management activities undertaken in 2019/20 and recommend that both Executive and Council note the report.

Contact person for background papers:
Graham Perkins – Senior Accountant - Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	The net outturn for treasury management was £(0.9)m a saving of £(1.2)m against the original net budget of £0.3m and details of this are provided at paragraph 9.1.
Legal Implications:	All actions undertaken during the year were in accordance with legislation, MHCLG Guidance, CIPFA Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	All treasury management transactions undertaken by the Council are carried out with institutions with no known direct links to any illegal regimes or which promote the use of forced labour.
Sustainability Implications	A “Green Deposit” bank account has been opened with Barclays Bank which supports investments in sustainable assets.
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the treasury management systems and procedures which are independently tested on a regular basis. The Council’s in-house treasury management team continually monitor interest forecasts and actual market interest rate movements to ensure that any exposure to adverse fluctuations in interest rates are minimised and security of capital sums are maintained at all times. Failure to properly manage and monitor the Council’s loans and investments could lead to service failure and loss of reputation.
Health and Safety Implications	Not applicable

Executive Summary

This report has been prepared in accordance with current legislation and Codes of Practice and highlights the treasury management activities undertaken during 2019/20.

Economic position (Section 2)

- In response to the coronavirus pandemic the MPC reduced the Bank Rate from 0.75% to 0.10% in March 2020, the lowest it has been in the Bank of England's 325 year history. In addition it provided a further £210bn of Quantitative Easing (QE).
- Boris Johnson replaced Theresa May as Prime Minister and the December 2019 general election produced a majority Conservative government.
- Brexit continued to dominate the headlines in 2019 and as a result of a new majority government being returned in December 2019, Parliament approved the UK to leave the EU on 31 January 2020.
- Whilst the on-going trade war between the US and China continues to have a major negative impact on the economies of major countries it will be the coronavirus which is set to dominate the financial headlines of 2020.

Debt (Section 4)

- Total loan debt rose from £220.7m as at 31.03.2019 to £377.3m by 31.03.2020 an increase of £156.6m comprising of:
 - New loans totalling £161.4m - £144.4m taken from the PWLB and £17m from Local Authorities to fund the capital programme - details of these can be found at paragraph 4.14,
 - Natural loan repayments totalling £4.8m.
- Loan interest totalling £8.5m was paid of which £3.4m was wholly funded from rental income received from the Council's commercial asset programme.
- Average rate of interest payable was 2.90% in 2019/20 and compared to 3.97% in 2018/19 a fall of 1.07%.
- Level of under-borrowing is £40.0m at 31.03.2020 which represents an increase of £9.1m from the 31.03.19 closing position of £30.9m – details on this can be found at paragraph 4.11.

Investments (Section 5)

- Total level of investments rose from £77.9m 31.03.2019 to £106.0m at 31.03.2020 a movement of £28.1m due to monies being received ahead of spend.
- The Rate of Return for all investments in 2019/20 was 1.12% which is £0.1m above budget and 0.58% or £0.62m above the recognised performance indicator of 7-day LIBID.
- Weighted average life of investments at 31.03.20 was 72 days or 2.25 months excluding all long term investments.
- All investments were repaid on time without issue and undertaken in accordance with the approved strategy.

Prudential Indicators and limits (Section 7 and Appendix E)

- No breaches to any of these limits occurred.

1. BACKGROUND

- 1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 1.2 For the financial year 2019/20, the Accounts & Audit Committee together with the Executive and Council received the following three reports:
 - annual treasury management strategy for the year ahead (issued February 2019);
 - mid-year update report (issued October/ November 2019);
 - annual outturn report describing the activity undertaken (July 2020 this report).
- 1.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members
- 1.4 I can confirm that prior scrutiny of all the above treasury management reports has been undertaken by the Accounts & Audit Committee - before they were reported to the Executive and Council.
- 1.5 Figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.
- 1.6 For reference a list of abbreviations used within the report has been provided and can be found in Appendix F.
- 1.7 This report comprises of the following sections:
 - Major Economic Headlines 2019/20 (Section 2);
 - Treasury Position (Section 3);
 - Borrowing Position (Section 4);
 - Investment Position (Section 5);
 - Related Treasury Issues (Section 6);
 - Prudential and Performance indicators (Section 7);
 - Outlook 2020/21(Section 8)
 - 2019/20 Summary Outturn position (Section 9)
 - Appendices including details of abbreviations used in the report.

2. MAJOR ECONOMIC HEADLINES 2019/20

- 2.1 A brief summary of the main events which occurred during 2019/20 are highlighted below for reference;

UK

- Brexit continued to dominate the headlines in 2019 with repeated battles in the House of Commons taking place resulting in Teresa May being replaced as both Prime Minister and the leader of the Conservative party by Boris Johnson. A general election in December produced a majority Conservative government which subsequently enabled Parliament to approve the decision for the UK to leave the EU on 31 January 2020.

- Economic growth in 2019 saw the economy grow by 1.1% year on year and in early 2020 business surveys were indicating an upswing in growth would continue. Since then however the whole world has changed due to the coronavirus outbreak resulting in whole sections of the economy being forced to close “lockdown”. As a consequence of this the UK economy shrank by 2% in the first three months of 2020 (January to March), following 0% growth in the final quarter of 2019. This 1st quarter decline was driven by a record fall in March and reflects just one full week of lockdown. Analysts expect a bigger economic slump in the 2nd quarter of 2020.
- How the economy recovers will depend on a number of factors such as
 - how quickly, if at all businesses will recover from the damage caused by the lockdown period,
 - could there be a second wave of the outbreak thereby delaying businesses being able to operate,
 - how soon will a vaccine be created and how quickly can it be administered to the population.
- A wide range of initiatives were introduced by the Government in response to the country being in “lockdown”. These included support for businesses in the retail, hospitality and leisure sector by way of business grants and rate relief for properties in the retail sector. In addition support has been provided to subsidise both employed and self-employed jobs for three months as well as providing guarantees to the banks enabling businesses to access loans from their banks to tide them over during this period. Provided the coronavirus outbreak is brought under control relatively swiftly and the lockdown is eased, then it is hoped that the UK’s economy will see a sharp recovery however it will take time for this to fully recover back to the level before the coronavirus outbreak.
- The Bank Rate remained at 0.75% throughout the course of 2019 and early 2020 however in March 2020, it was clear that the coronavirus outbreak posed a huge threat to the economy and as a result of this the MPC implemented two emergency cuts in Bank Rate from 0.75% to 0.25% (11th March 2020) and 0.10% (19th March 2020), the lowest level it has been in the bank’s 325 year history. These cuts in bank rate were accompanied by an increase in (QE) of £210bn taking the total of (QE) undertaken by the Bank of England since 2009 to £645bn.
- CPI posed little concern for the MPC during the last year, starting off at 2.0% in April 2019 falling to 1.4% in December 2019 before closing up at 1.5% in March 2020. Looking ahead to 2020 it is currently forecasted that as the world economy heads to recession, inflation could turn negative in some parts of the world particularly in the Eurozone, however this is currently not likely to occur in the UK.
- Unemployment rate started the year in April 2019 at 3.8% finishing marginally up at 3.9% in March 2020 where it is expected to rise further as a result of the coronavirus pandemic.

USA

- 2019 started with strong growth being reported in quarter 1 at 3.1% however this slowed to 2.1% in quarters 3 and 4 producing a year on year growth rate of 2.3%.

- This slowdown in economic growth resulted in the Fed originally cutting rates from 2.25-2.50% to 1.50%-1.75% however in response to the coronavirus rates were further cut to 0.00% – 0.25% in March 2020.
- At the end of March 2020, Congress agreed a \$2trn stimulus package (worth about 10% of GDP) which was in addition to the new lending facilities announced by the Fed providing up to \$6trn in temporary financing to both consumers and firms over the coming months.
- It is expected that despite all of these measures, the US will fall into a sharp recession in quarter 2 of 2020 which could see growth fall by as much as 40%.
- Unemployment started the year at 3.6% in April 2019 but rose to 4.4% in March 2020 where it will continue to rise in response to the coronavirus effect.
- CPI fell from its opening position of 2.0% in April 2019 to finish at 1.5% in March 2020.

EU

- Economic growth for 2019 was 1.0% which was down from the 2018 figure of 1.8%.
- In September 2019 and responding to the downturn in EU growth, the ECB further reduced its bank deposit rate from -0.4% to -0.5%. In addition to this and in response to the coronavirus, further action to expand (QE) which currently stands at 4.65 trillion euros together with other measures helping to promote economic growth were implemented.
- CPI fell marginally from an opening position of 1.3% in April 2019 to 1.0% in March 2020.
- During the year Unemployment fell slightly from an opening position in April 2019 of 7.6% to finish at 7.4% in February 2020 however the coronavirus will impact on this in a negative way going forward.

Japan

- Despite continuing significant financial support by the Bank of Japan the economy shrank by 0.7%, unemployment remained static at 2.4%, CPI remained around 0.3% and the bank interest rate continues to be -0.1% where it has been since January 2016.

China

- The economy grew by 6.1% in 2019 compared to 6.6% in 2018 due to the continuing trade war with the US. The 1st quarter of 2020 however saw the economy shrink by 6.8% reflecting the effect coronavirus was having.

World outlook

- The on-going trade war during 2019 between the US and China had a major negative impact on the economies of major countries throughout the world and whilst this continues to be a concern, it is the impact of the coronavirus which is set to dominate the financial headlines in 2020 sending the world into recession.

2.2 Within the 2019/20 treasury management strategy a forecast for interest rates was provided and from this it was expected that a minor increase in rates would occur. As highlighted in the table below this movement did not take place and a more detailed analysis detailing how investment rates moved during the course of 2019/20 is provided for reference at Appendix A;

	2019/20	1 April 2019	31 March 2020	2019/20
	Forecast Average	Actual	Actual	Actual Average
	%	%	%	%
Bank Rate	1.00	0.75	0.10	0.72
Investment Rates				
3 month	1.10	0.72	0.60	0.56
1 Year	1.40	0.93	0.86	0.80
Loan Rates				
5 Year	2.25	1.52	1.97	1.78
25 Year	3.05	2.41	2.59	2.56

- 2.3 Loan interest rates, primarily PWLB rates are determined by using the corresponding gilt yield (UK Government bonds) with H.M.Treasury then adding a specified margin. On 9 October 2019 and without any prior warning, H.M. Treasury increased the margin it applied by adding an additional 1% to that already applied. As a consequence of this action the PWLB interest rate for 25 years for example went from 1.98% on 8th October to 2.99% on 9th October before closing at 2.59% on 31st March 2020.

3. TREASURY POSITION

- 3.1 The Council's investment, debt and cash flow positions are managed by the in-house Treasury Management team who ensure that:
- All transactions are carried out in accordance with the current Scheme of Delegation,
 - All borrowing has been carried out in accordance with the Council's current Debt Strategy and Prudential Indicators (Authorised Limits and Operational boundary),
 - All investments placed have been done so in accordance with the criteria stipulated within the current Investment strategy and
 - Access to funds is maintained at all times thereby enabling all payments to be made on time preserving the Council's reputation.
- 3.2 The table below shows the loan and investment positions at the beginning and end of 2019/20 for reference:

	31 March 2020		31 March 2019	
	Principal (£m)	Avg. Int. Rate %	Principal (£m)	Avg. Int. Rate %
DEBT				
-PWLB	322.1	2.55	181.0	3.15
-Government Loans - Salix	2.2	0.0	3.7	0.0
-Market	53.0	3.58	36.0	4.56
Total debt	377.3	2.68	220.7	3.33
CFR (to finance past capital expenditure)	417.3		251.6	
Over/ (under) borrowing	(40.0)		(30.9)	
INVESTMENTS				
- Instant access	32.8	0.52	22.3	0.78
- Call account	2.5	0.10	5.3	0.90
- Term deposit	48.3	1.03	45.3	1.07
- CCLA	4.8	4.90	5.0	4.92
- Asset Investment programme (AIP)	17.6	n/a	0.0	0.0
Total investments	106.0	1.48	77.9	1.22

Note – Details regarding the movement in debt are provided at paragraph 4.14 for reference.

- 3.3 Whilst the table at paragraph 3.2 details the position as at the beginning and end of 2019/20 the average position for 2019/20 & 2018/19 was as follows:

	2019/20		2018/19	
	Principal	Interest Rate	Principal	Interest Rate
Average Debt	£296.2m	2.90%	£175.4m	3.97%
Average Investment *	£98.2m	1.12%	£86.7m	1.06%

* Excludes Asset Investments

4. BORROWING POSITION

- 4.1 As highlighted in paragraph 3.1 above, part of the Council's treasury management remit is to address any potential borrowing needed to be taken in order to fund the capital expenditure programme.
- 4.2 The in-house treasury management team organises the Council's cash position to ensure that sufficient cash is available to meet its overall spending plans together with its day to day cash flow requirements. A part of this process may involve the take up of new loans from external bodies, such as the Government through the PWLB or the money markets. Before any new borrowing is taken out consideration is given to utilising any of the Council's temporary cash resources which if deemed to be the best option, will be applied.
- 4.3 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This represents capital spend, not yet paid for by revenue or other capital resources, incurred from current and prior years' activities reflecting the level of the Council's indebtedness.

- 4.4 During 2019-20, the Council maintained an under-borrowed position as highlighted at paragraph 3.2 which means that the capital borrowing needed was not fully funded with new loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns continue to be low and minimising counterparty risk on placing investments also needed to be considered.
- 4.5 To safeguard the Council's finances, the level of CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that any borrowing costs incurred are charged to revenue over the useful life of the asset. This annual revenue charge is the Minimum Revenue Provision (MRP) and this reduces the CFR and effectively is a repayment of borrowing.
- 4.6 The total CFR can also be reduced by:
- the application of additional capital financing resources, (such as unapplied capital receipts) or
 - charging more than the statutory revenue charge MRP each year through a Voluntary Repayment Provision (VRP).
- 4.7 The Council's 2019/20 MRP Policy, (as required by CLG Guidance), was approved by Members as part of the Treasury Management Strategy report for 2019/20 in February 2019.
- 4.8 The Council's CFR includes PFI and leasing schemes held on the balance sheet, which increase the overall borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.
- 4.9 During 2019/20 the Council borrowed £144.4m from the PWLB to fund new capital expenditure of which £109.5m was taken to fund capital investment in regeneration activities, £25m to start to address the under borrow position and £9.9m being applied to fund spend incurred on other schemes within the capital programme. All borrowing was undertaken in conjunction with the information obtained from the Council's advisors LAS, with all loan servicing costs being met from the existing revenue provision within the MTFP or from a proportion of the investment returns generated from the Council's commercial investment programme.
- 4.10 All loans were taken at competitive rates of interest thereby ensuring value for money to the local taxpayers was achieved with details of the loans taken being shown at paragraph 4.14 below for reference.
- 4.11 Whilst £144.4m of new external loans were taken from the PWLB to fund a significant proportion of the Councils underlying capital borrowing requirement, the policy adopted in previous years of also applying cash supporting the Council's reserves, balances and cash flow was also applied in 2019/20 hence the reason for the under borrowing position increasing from £30.9m as at 31st March 2019 to £40.0m at 31 March 2020. This action was undertaken in conjunction with advice obtained from LAS and offers a prudent approach due to the low level of investment returns available when compared to borrowing rates.
- 4.12 In order to ensure that long term borrowing levels are prudent and only taken for capital purposes, the Council ensured that its gross external borrowing did not exceed the total of the CFR. This means that the Council is not using this form of borrowing to support revenue expenditure and during 2019/20 this strategy was maintained.
- 4.13 During the year no rescheduling of the Council's existing debt was carried out due to the high breakage costs (premium) involved.

4.14 From the table at paragraph 3.2 it can be seen that the level of external debt increased during 2019/20 from the opening position of £220.7m to close at £377.3m and this was as a result of the following transactions;

Lender	Principal – (Repayment) / New	Average Interest rate	Notes
Long Term			
PWLB	£(3.4)m	8.88%	Natural maturity.
SALIX Finance	£(1.4)m	0.000%	Loan used to part fund the LED Street Lighting Programme.
PWLB (August 19)	£17.0m	1.21%	Loans taken to reduce the under borrow position
PWLB (August 19)	£17.0m	1.88%	Loans taken to reduce the under borrow position & fund capital programme schemes
PWLB (September 19)	£60.0m	1.90%	Loan taken to fund capital investment in regeneration activities & general capital programme schemes.
PWLB (October 19)	£27.2m	2.08%	Loans taken to fund capital investment in regeneration activities
PWLB (October 19)	£8.2m	2.24%	Loans taken to fund capital investment in regeneration activities
PWLB (October 19)	£15.0m	2.65%	Loans taken to fund capital investment in regeneration activities
Sub total	£139.6m		
Short Term			
Stockport BC	£10.0m	0.83%	Loans taken to fund capital investment in regeneration activities
Liverpool CC	£7.0m	2.50%	Loans taken to fund capital investment in regeneration activities
Sub total	£17.0m		
Grand total	£156.6m		

4.15 From the total debt outstanding of £377.3m, £0.7m is administered on behalf of Greater Manchester Probation Service which leaves £376.6m in respect of the Council's own long term requirement and a maturity profile of the Council's debt can be found at Appendix B & C for reference.

4.16 Through-out the course of a year the Council may as a result of short term capital funding requirements need to undertake temporary borrowing (short term up to 1year).

4.17 Funds for this purpose are generally widely available from other local authorities via the money market at low rates of interest. During 2019/20 the Council

undertook on 13 separate occasions temporary borrowing totalling £45.5m for such instances as mentioned at paragraph 4.16 at a total cost of £24k with interest rates ranging from 0.6% to 2.5%. As at 31st March 2020 £17m of this amount temporary borrowed was outstanding and this was fully repaid by the due date of 8th April 2020. Whilst the use of an overdraft facility provided by the Council's bank is available this is an expensive form of borrowing at 4% + bank rate and costs of £107k would have been incurred had this option been used instead of temporary borrowing.

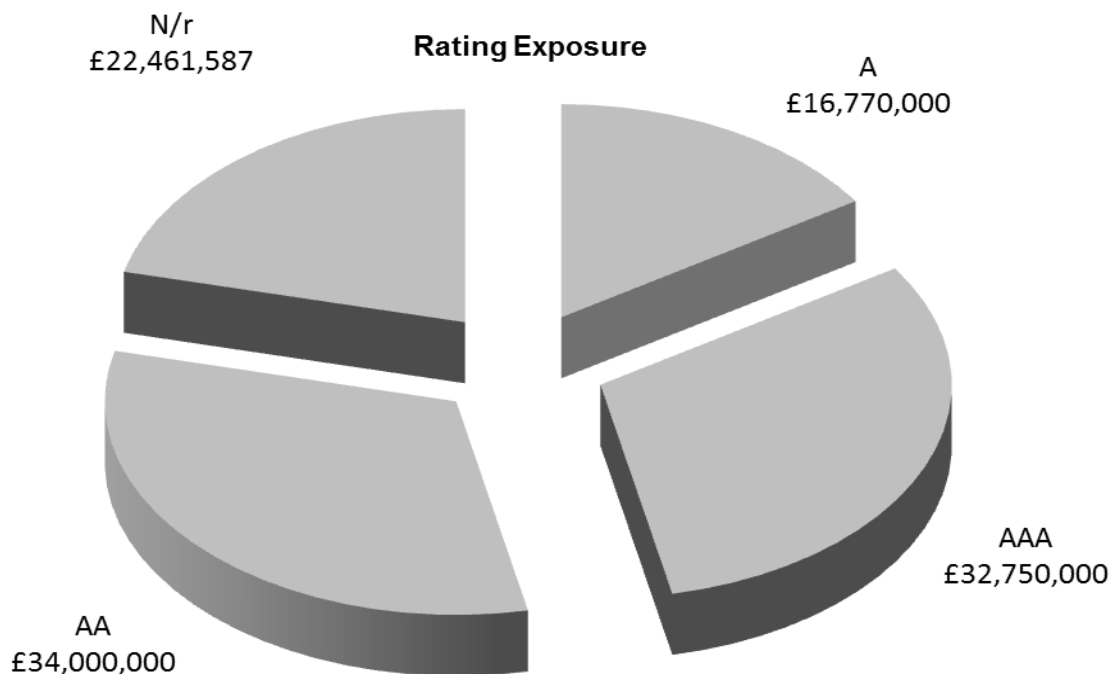
- 4.18 Loan interest paid during 2019/20 totalled £8.541m and of this £3.364m was funded from applying a proportion of the Council's commercial property portfolio rental income. The balance of £5.177m was incurred within the MTFP budget provision
- 4.19 During 2019/20 the Corporate Director of Finance and Systems continued to monitor interest rate movements in the financial markets and caution was adopted with the treasury operations.
- 4.20 During the course of the year no borrowing for more than, or in advance of the Council's needs, purely in order to profit from the investment of the extra sums borrowed was undertaken.
- 4.21 In March 2020 the Government announced there was to be a consultation exercise involving all Councils looking at how the PWLB operated. A response to each of the points identified in the consultation paper was issued to the Government by the Council and the outcome of this exercise is currently being awaited. Members will be informed of any significant changes which may be introduced to the way PWLB operates as a result of this consultation.

5. INVESTMENT POSITION

- 5.1 The Council's investment policy is governed by the MHCLG guidance which has been implemented within the annual investment strategy approved by Council in February 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).
- 5.2 Using this information the Council's in-house treasury management team is able to produce an approved lending list in order to ensure investments are only placed with low risk institutions. Funds are invested for a range of periods reflecting cash flow requirements together with counterparty limits as set out in the approved investment strategy ensuring that an excessive level of funds are not placed in a single counterparty.
- 5.3 I can confirm that during the year all investment activity conformed to the approved strategy and that the approved limits within the Annual Investment Strategy were not breached.
- 5.4 The Council will, in line with previous years, aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity.
- 5.5 Investment returns remained low during 2019/20 with the MPC only expected to increase the Bank Rate to 1.0% during 2020 after the Brexit issue had been settled. When the coronavirus outbreak hit the UK in February/March and in response to the MPC cutting the Bank Rate from 0.75% to 0.1%, market investment rates initially fell but then rose sharply again due to a shortage of liquidity in financial markets.

- 5.6 In 2019/20 the Council maintained an average balance of £93.2m of internally managed funds (this figure excludes £5m placed in the Property Fund managed externally by Church Commissioners Local Authority group) earning an average rate of return of 0.92% which generated £856k in investment interest. This return was £96k above the agreed budget figure of £760k and 0.38% or £351k above the performance indicator of the average 7-day LIBID rate of 0.54%.
- 5.7 With regards to the Council's long term investments, in 2015, £5m was placed into the CCLA Property Fund for a minimum period of 5 years which after entry costs had been deducted of £0.3m, enabled 1,643,872 units to be purchased in the fund. At 31 March 2020 the value of these units, were £4.86m and this compares to the valuation at 31 March 2019 of £5.04m, a decrease of £0.18m. This decrease reflects the impact the coronavirus is having on the world economy sending into a recession in 2020.
- 5.8 Whilst a comparatively minor decrease to the value of this investment occurred in 2019/20, it is currently forecasted that a further more substantial fall in the valuation in this fund of approximately £0.4m may occur in 2020/21 as a result of the coronavirus pandemic before a bounce back in values commences in 2021.
- 5.9 In response to the implementation in 2018/19 of IFRS 9 into the CIPFA Code of Practice on Local Authority Accounting, any movement in valuation would normally have to be taken and reflected in full to the Council's revenue account. As a consequence of this change to the CIPFA Code of Practice the MHCLG put in place a 5 year statutory override effective from 1 April 2018. The Council will use this override facility to account for any changes in the value of this investment during this period thereby avoiding any adverse movements being taken to the revenue account in full during the year they occurred.
- 5.10 After the expiry of this override any future potential adverse movements to the Council's revenue account arising from this investment will be offset from a corresponding contribution from the Investment Smoothing Reserve.
- 5.11 Annualised returns generated from the CCLA property fund in 2019/20 (gross of fees on the original value invested) were 4.90% and this compares with that achieved in 2018/19 of 4.91%.
- 5.12 When the rates of return for both short and long term investments are combined, this produces an average level invested of £98.2m, generating a rate of return of 1.12% worth £1,103k which is £0.1m above budget and 0.58% or £0.62m above the performance indicator of the average 7-day LIBID rate of 0.54%.
- 5.13 In addition to the £5m CCLA investment, the Council in August 2019 undertook a further long term investment when it entered into a £17.6m 5 year loan facility agreement with Queens Holding Limited secured on 4 prominent income producing properties known as Albert Estate within Manchester City Centre. Due to the coronavirus outbreak, rental turnover has reduced resulting in the borrower breaching one of the loan covenants and being in default. A mitigation solution is being prepared with the borrower that will provide additional security to protect the Council's investment in the short term until the City Centre economy recovers post lockdown.
- 5.14 During the climate of extremely low investment interest rates the ability to generate a significant level of return without exposing the Council's funds to high levels of risk remains challenging. Whenever new opportunities to generate additional investment income become known, these are thoroughly investigated in order to ensure that they will be suitable for the Council to pursue without committing it to any unnecessary risk.

- 5.15 The Council's main bank account with Barclays, is non-interest bearing and consequently if no investments were undertaken by the in-house team, the Council would lose the opportunity to generate £856k of income.
- 5.16 Levels of funds available to be invested on a daily temporary basis are subject to a number of factors such as timing in the form of monies being received ahead of spend requirements and progress on the Capital Programme.
- 5.17 The graph below provides a breakdown of the Council's investments placed as at 31 March 2020 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D;



6. RELATED TREASURY ISSUES

- 6.1 Member training was provided by the Council's advisors LAS and in-house staff to both Members of the Accounts and Audit Committee and staff new to the role of treasury management on 12th June 2019 and 15th January 2020. In addition to these sessions two Members of the Accounts and Audit Committee attended external training provided by CIPFA in Leeds on 16th October 2019.
- 6.2 The treasury management function processes multi-million pound transactions on a daily basis making it a very important operation of the Council's activities. To ensure transactions are processed efficiently, effectively and securely at all times, procedures and controls are in place which are continually reviewed and updated to ensure the safeguarding of public monies is maintained. This aspect was confirmed by the Council's Audit & Assurance Service as part of their annual audit process when for the 13th year in succession they issued a report which stated that this service offered a High Level of Assurance, the highest level obtainable. The robustness and flexibility of these systems and procedures was further highlighted during the coronavirus pandemic when staff were asked to perform this task whilst working from home, a process never previously undertaken. During this period no disruption to the Council's treasury management service was encountered and all financial transactions were processed on time without disruption thereby protecting the Council's reputation.

7. PRUDENTIAL AND PERFORMANCE INDICATORS

- 7.1 It is a statutory duty for the Council to determine and keep under review the Council's Prudential Indicators as approved within the Treasury Management Strategy for 2019/20.
- 7.2 During the year ended 31 March 2020, the Council operated within these indicators and these are shown in Appendix E for reference.

8. OUTLOOK 2020/21

- 8.1 The economic impact of the coronavirus pandemic will be widespread and whilst the financial impact from this crisis in 2019/20 was relatively minor, it is in 2020/21 and beyond where the full financial impact will be felt.
- 8.2 The Organisation for Economic Co-operation and Development (OECD) has recently stated that the UK's economy is likely to fall by 11.5% in 2020 and this could rise further to 14% if a second peak in the virus was to occur.
- 8.3 Previously economists were predicting that there would be a rapid bounce back in the UK economy, a so-called V-shaped whereby both the fall and recovery in the economy are both quick, now however they are of the opinion that a recovery is more likely to be slower.
- 8.4 As a result of this there will be financial implications for Treasury Management and these will come from a number of areas, primarily be from lower investment returns due to historical low investment interest rates and a reduction in levels of temporary cash available to be invested. This last aspect has arisen from regular income streams being greatly reduced as safety and economic measures put in place in response to the crisis protecting both businesses and individuals take effect. A further consequence of this is that Investments which have previously been placed with institutions are being recalled upon maturity and applied to ensure the Council is able to honour its financial commitments on time whilst keeping any temporary borrowing to a minimum.
- 8.5 Through-out the course of any year the Council's treasury management team ensure that any investment or borrowing transactions are processed to meet any future potential funding requirements. Monitoring of the Council's cash flow enables this process and is an important part of this function. This process has always been undertaken on a regular basis however in the current climate it is being carried out more frequently. By adopting this approach it enables any new information when it becomes available to be incorporated immediately into the Council's current and future cash flow thereby ensuring any remedial action to be put in place as soon as possible.
- 8.6 The Council's revenue returns from properties bought through its Strategic Asset Investment Fund have been impacted by the coronavirus pandemic. Negotiations with tenants have resulted in delayed rental payments and, in some cases, rental discounts. The expectation is that the impact from the pandemic will be short term and that asset values and turnover will return to pre-virus levels in 2021. At the end of 2019/20, the Council used surplus investment returns to make an additional contribution of £1.5m to its risk reserve;- this additional contribution will be used in 2020/21 to offset any shortfalls in income.
- 8.7 Forecasting what the annual outturn will likely be with any certainty under normal conditions is difficult, however it has become even more of a challenge to do in the current climate. A forecast of what the outturn is expected to be for 2020/21 is provided to Members as part of the bi-monthly revenue monitoring updates however to mitigate any negative effect the Council's revenue account may

encounter from this area, the Treasury Management Smoothing Reserve will be applied.

9. 2019/20 SUMMARY OUTTURN POSITION

9.1 Activities undertaken as part of the treasury management function are subject to many factors beyond the control of the Council impacting on actual performance e.g. worldwide economic, political and health events and interest rate movements. The table below reflects the summarised outturn position compared to that originally forecasted for reference;

Treasury	Budget £000	Outturn £000	Variance £000
DEBT			
Loan Interest	4,919	5,177	258
MRP	2,457	2,209	(248)
PFI Interest & Premium	935	935	0
Sub-total	8,311	8,321	10
INVESTMENTS			
Investment Interest & other net interest receipts	(1,256)	(1,383)	(127)
MAH Ltd – Share dividend	(5,097)	(6,429)	(1,332)
Loan income	(2,098)	(2,171)	(73)
Sub-total	(8,451)	(9,983)	(1,532)
RESERVES			
Contribution to / (from) Interest Smoothing Reserve	465	718	253
Sub-total	465	718	253
TOTAL	325	(944)	(1,269)

Non-Treasury items	Budget £000	Outturn £000	Variance £000
EXPENDITURE			
Loan Interest	1,591	3,364	1,773
Loss of Investment interest	130	325	195
MRP	1,086	1,595	509
Sub-total	2,807	5,284	2,477
RECHARGES			
Sub-total	(2,807)	(5,284)	(2,477)
TOTAL	0	0	0

Note: The above figures reflect;

- Low rate debt taken for capital schemes which have commenced prior to future income streams being available to pay for these costs (MAH Project Apollo, Leisure Centre refurbishment);

- All associated debt servicing costs in respect to the Councils Commercial Investment Programme are self-financing i.e. paid for from the income stream generated from the investment;
- Additional share dividend received from the MAH Ltd as a result of stronger trading operations;

9.2 The increase in contribution to the Smoothing Reserve reflects one off savings from higher levels of investment interest generated, greater than forecasted shareholder loan income from MAG being received and rephasing of MRP contributions. The application of this reserve will be required over the forthcoming years and is held to finance future cash implications arising from:-

- Potential adverse changes in investment interest rates,
- Short term temporary borrowing funding requirements and
- Non-treasury management activities which have an impact on cash flows.

Other Options

This report is a mandatory report which has been produced in order to comply with Financial Regulations and relevant legislation and provides an overview of transactions undertaken during 2019/20. There are no other options to consider.

Consultation

Information for the period covered by this report was obtained from Link Asset Services, the Council's external consultants.

Reasons for Recommendation

The report is a mandatory report which has been produced in order to comply with the requirements of the Council's Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management.

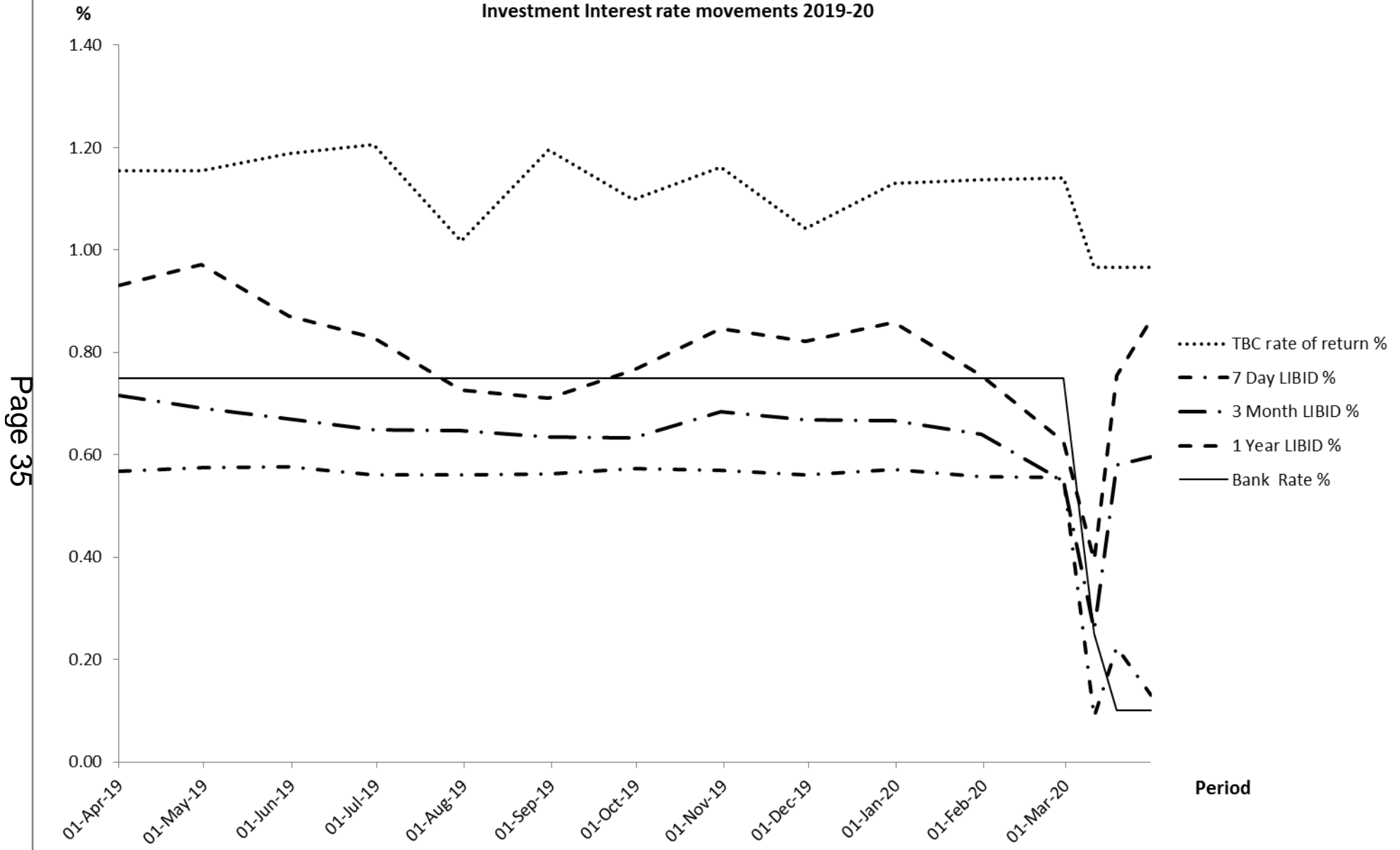
Finance Officer Clearance GB

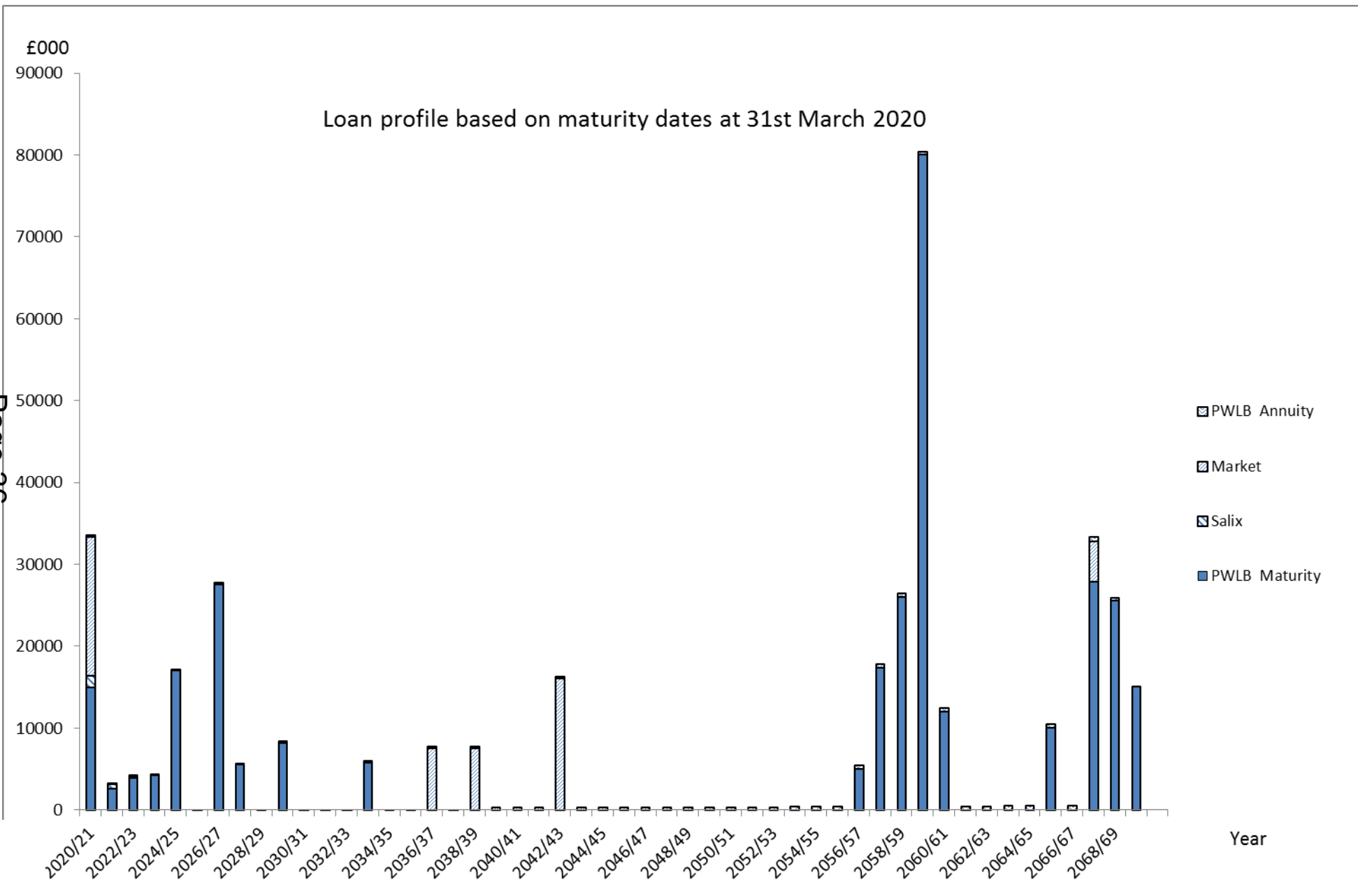
Legal Officer Clearance DS



Corporate Director's signature

Investment Interest rate movements 2019-20





Maturity Profile

Debt portfolio:

	31 March 2020 (£m)	31 March 2019 (£m)
Under 12 months	33.5	4.8
12 months and within 24 months	3.2	16.5
24 months and within 5 years	25.7	11.8
5 years and within 10 years	42.1	6.7
10 years and above	272.8	180.9
Total	377.3	220.7

Investment portfolio:

	31 March 2020 (£m)	31 March 2019 (£m)
Instant Access	32.8	22.3
Up to 3 Months	22.8	19.6
3 to 6 Months	15.5	12.0
6 to 9 Months	7.5	11.5
9 to 12 months	5.0	7.5
Over 1 year	22.4	5.0
Total	106.0	77.9

Breakdown of Investments

Counterparty	Amount (30 Sept 2019) £	Amount (31 March 2020) £	Long Term Credit Rating
<i>Money Market Fund</i>			
Aberdeen	6,260,000	9,350,000	AAA
Federated Investors	6,850,000	15,400,000	AAA
Invesco Aim	7,000,000	8,000,000	AAA
<i>Sub total</i>	<i>20,110,000</i>	<i>32,750,000</i>	
<i>Notice Accounts</i>			
Barclays Bank	2,500,000	2,500,000	A
<i>Sub total</i>	<i>2,500,000</i>	<i>2,500,000</i>	
<i>Term Deposit</i>			
Australia and New Zealand Bank	17,000,000	2,000,000	AA
Blackburn with Darwen Council	0	2,500,000	Not rated
Brentwood Council	0	2,000,000	Not rated
Cheshire East Council	0	2,000,000	Not rated
Close Brothers Bank	10,000,000	7,000,000	A
Eastleigh Borough Council	2,000,000	2,000,000	Not rated
First Abu Dhabi Bank	2,000,000	2,000,000	AA
Gloucester City Council	0	3,000,000	Not rated
Goldman Sachs Investment Bank	7,800,000	0	A
Lincolnshire City Council	3,000,000	0	Not rated
Lloyds Bank	13,270,000	7,270,000	A
Medway Council	0	3,000,000	Not rated
North Lanarkshire Council	5,500,000	5,500,000	Not rated
Peterborough City Council	0	5,000,000	Not rated
Santander UK Bank	2,000,000	0	A
Slough Borough Council	5,000,000	0	Not rated
South Ayrshire Council	0	5,000,000	Not rated
<i>Sub total</i>	<i>67,570,000</i>	<i>48,270,000</i>	
<i>Property Funds</i>			
Church Commissioners Local Authority	5,000,000	4,861,587	Not rated
<i>Sub total</i>	<i>5,000,000</i>	<i>4,861,587</i>	
<i>Other</i>			
<i>Asset Investment Programme</i>	17,600,000	17,600,000	Not rated
<i>Sub total</i>	<i>17,600,000</i>	<i>17,600,000</i>	
Total	112,780,000	105,981,587	

The above table shows the level of investments placed as at 31 March 2020 and 30 September 2019, the last time Members were provided with this information.

Prudential Indicators for 2019/20

Indicator	Indicator set by Council	Actual
<p>Authorised Borrowing Limit Maximum level of external debt, including other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.</p>	£585.5m	£377.3m
<p>Operational Boundary Calculated on a similar basis as the authorised limit but represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing – this is not a limit.</p>	£570.5m	£377.3m
<p>Upper limits on fixed interest rates Maximum limit of net fixed interest rate exposure - debt less investment</p>	£12.8m	£8.0m
<p>Upper limits on variable interest rates Maximum limit of net variable interest rate exposure – debt less investment</p>	£2.4m	£0.6m
<p>Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be taken for capital purposes. During 2019/20 the Corporate Director of Finance and Systems can confirm that this indicator was complied with.</p>		
<p>Maturity structure of fixed rate borrowing These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.</p>		
Under 1 year (this includes the next call date for Market loans)	40%	2%
1 year to 2 years	40%	1%
2 years to 5 years	40%	7%
5 years to 10 years	40%	11%
10 years to 20 years	40%	2%
20 years to 30 years	40%	5%
30 years to 40 years	70%	35%
40 years and above	90%	26%
<p>Upper Limit for sums invested for over 1 year – these limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment.</p>	£90m	£52.7m

Performance Indicators for 2019/20

Indicator	Target	Actual
Security – potential default rate of the Council’s investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.07%	Max 0.006% (31 March 2020)
Liquidity – investments available within 1 week notice	£10m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	2.25 months (31 March 2020)
Yield – Investment interest return to exceed 7 day London Interbank BID rate (exclude CCLA)	Average 7 day LIBID 0.54%	Average rate of return for 2019/20 was 0.92%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Min 78% Max 22%

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CCLA: Church Commissioners Local Authority - manage investments for charities, religious organisations and the public sector

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

GDP: gross domestic product – a measure of the growth and total size of the economy.

IFRS 9: is an International Financial Reporting Standard (**IFRS**) published by the International Accounting Standards Board (IASB). It addresses the accounting for financial instruments and contains three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

LAS: Link Asset Services – independent organisation which provides advice and guidance on all treasury matters including government legislation.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MAH Ltd: Manchester Airport Holdings Limited - is a holding company which is owned by the ten metropolitan borough councils of Greater Manchester and an Australian investment fund IFM Investors.

MHCLG: the Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

MTFP: A Medium Term Financial Plan is a key part of the Council's Policy and Budget Framework and sets out the strategic approach to the management of its finances.

OECD: Organisation for Economic Co-operation and Development is an intergovernmental economic organisation with 37 member countries, founded in 1961 to stimulate economic progress and world trade

PFI: Private Finance Initiative is a way of financing public sector projects through the private sector.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: Quantitative Easing - is a monetary policy whereby a central bank (e.g. Bank of England) buys government bonds or other financial assets in order to inject money into the economy to expand economic activity.

UK: United Kingdom.

US: United States of America.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition)

TRAFFORD COUNCIL

Report to: Executive

Date: 22 June 2020

Report for: Information

Report of: The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems

Report Title:

Budget Monitoring 2019/20 – Period 12 Outturn (April 2019 to March 2020).

Summary:

The purpose of this report is to inform Members of the 2019/20 outturn figures relating to both Revenue and Capital budgets, the level of General and Service Reserves. It also summarises the final unaudited position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that the Executive:

- a) note the report and the revenue outturn position showing a budget underspend of £298k, which will be transferred to the Budget Support Reserve;
- b) note the other changes to reserves as detailed in paragraph 11 and Appendix 2.
- c) note the final capital programme outturn position as detailed in paragraphs 25 to 43.

Contact person for access to background papers and further information:

David Muggeridge, Finance Manager, Financial Accounting Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue and Capital expenditure to be contained within available resources in 2019/20.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

REVENUE BUDGET

Budget Monitoring - Financial Results

1. Based on the pre-audit outturn for the year, the Council will underspend its budget by £298k, comprising a net underspend on service and corporate budgets of £583k partly offset by a reduction in funding of £285k. This is an overall favourable movement of £118k since last period.

Service Expenditure Summary Position

2. The pre-audited service revenue outturn position shows an underspend figure of £583k. This compares to a period 10 underspend of £180k.
3. The favourable movement of £403k is made up of a number of movements since period 10 and is explained below, with more detail given in Table 2.
4. This figure includes Covid-19 costs of £1.397m which have been met from Government Grant.

Funding Summary Position

5. Council tax funding pressure of £285k due to the award of discounts and reliefs exceeding our budget expectations.
6. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Table 2 providing a more detailed explanation of the variances:

Table 1: Budget Monitoring results by Service	2019/20 * Revised Budget (£000's)	Un- audited Outturn (£000's)	Variance (£000's)	Percent- age
Children's Services	36,057	36,563	506	1.4%
Adult Services	48,772	51,601	2,829	5.8%
Public Health	11,778	12,203	425	3.6%
Place	34,862	35,068	206	0.6%
People	3,201	3,267	66	2.1%
Finance & Systems	7,559	7,494	(65)	(0.9)%
Governance & Community Strategy	7,840	7,957	117	1.5%
Total Directorate Budgets	150,069	154,153	4,084	2.7%
Council-wide budgets #	19,868	15,201	(4,667)	(23.5)%
Net Service Expenditure variance	169,937	169,354	(583)	(0.3)%

	2019/20 * Revised Budget (£000's)	Un- audited Outturn (£000's)	Variance (£000's)	Percent- age
Funding				
Business Rates (see para. 17)	(66,489)	(66,489)		
Council Tax (see para. 12)	(99,500)	(99,215)	285	0.3%
Reserves	(2,624)	(2,624)		
Collection Fund surplus	(1,324)	(1,324)		
Funding variance	(169,937)	(169,652)	285	0.2%
Net Revenue Outturn variance	0	(298)	(298)	(0.2)%
Dedicated Schools Grant	133,985	133,320	(665)	(0.5)%

includes £1.397m drawn down from the COVID-19 Reserve to cover the impact on Services in 2019/20 (see paragraph 7 below)

* There has been one budget virement since the Period 10 Budget Monitoring Report as shown in Appendix 1.

Main variances, changes to budget assumptions and key risks

7. The main variances contributing to the net service expenditure underspend of £583k and the favourable movement of £403k are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	506	<p>Outturn variance £0.506m adverse; favourable movement of £0.694m since period 10</p> <ul style="list-style-type: none"> ➤ £0.167m above budget on Children's placements; favourable movement of £0.349m (note 1) ➤ £0.521m above budget on staffing; favourable movement of £0.015m (note 2) ➤ £0.273m above budget on home to school transport and nurseries; favourable movement of £0.037m (note 3) ➤ £0.455m below budget on other running costs across the service; favourable movement of £0.293m (note 4) <p>Note 1</p> <p>The variance of £0.167m is as a result of changes in demand, types of placements required and the increasing costs of children's placements.</p>

		<p>Since the last monitoring report there has been a favourable movement of £0.349m.</p> <p>The numbers of children in care as at the end of March 2020 are as follows:-</p> <ul style="list-style-type: none"> • children in care 383, a reduction of 7 • child protection is 205, a reduction of 15 • children in need 601, a reduction of 106 <p>The above position includes the achievement of the savings target of £573k.</p> <p>The service has, through the year, worked on strategies to minimise the forecasted overspend making the most cost effective decisions for Children entering care without compromising on outcomes for Children and safety.</p> <p><u>Note 1a</u></p> <p>The service has operated at speed to address the issues raised in the recent OFSTED Report by increasing capacity at the front door and bringing in additional agency social workers and team leaders. A one-off budget of £1.5m for 2019/20 was set aside, financed from a specific reserve, of which £1.122m has been spent to date. The underspend of £0.378m is due to timing delays in both recruitment & schemes which will be spent in 2020/21.</p> <p><u>Note 2</u></p> <p>As a consequence of the changes in demand across the Service over the year and reliance on agency staff there is an overspend of £521k on staffing costs; a favourable movement of £15k since period 10.</p> <p><u>Note 3</u></p> <p>The Home to School Transport service experienced high demand and increasing costs during the year with an overspend of £242k; a favourable movement of £38k.</p> <p>The remaining £31k overspend is due to a shortfall in anticipated income at Partington nursery, an adverse movement of £1k.</p> <p><u>Note 4</u></p> <p>There has been a favourable movement on other running costs of £293k. This is due to the following:</p> <ul style="list-style-type: none"> • £79k on personal needs; • £78k on commissioned services; • £74k additional grant/income; • £62k minor variances across the service.
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Adult Services	2,829	<p>Outturn variance £2.829m adverse, an adverse movement of £0.440m since period 10.</p> <ul style="list-style-type: none"> ➤ £3.115m above budget on Adult Clients; adverse movement of £404k (Note 1) ➤ £286k below budget due to vacancies and one off savings; adverse movement of £36k (Note 2) <p>Note 1</p> <p>Adult Clients £3.115m adverse variance.</p> <p>This budget continues to be extremely volatile and although the service managed to maintain client numbers, it was the continuation of increased costs due to market conditions and client complexity that resulted in the above.</p> <p>The reasons for the movement of £404k are outlined below:-</p> <ul style="list-style-type: none"> • £151k increase in costs for new clients net of contingency; • £379k net reduction in costs for existing clients; • £632k additional provision for S117 clients. <p>The Trafford market continues to be complex and in many instances local prices continue to rise above the Council's framework prices. There is a significant challenge for the service to procure care at framework prices and although the budget incorporated an element for this the outturn position is higher than anticipated. As at period 12 the Council spent approximately £4.3m in care costs in excess of framework rates; this is an increase of £110k from period 10.</p> <p>There has been a further pressure on the budget this year due to changes in Local Authority responsibility for S117 clients. Section 117 is a part of the legislation that requires Councils and CCG's to fund the requirements of an individuals after-care under the Mental Health Act to build effective support and rehabilitation packages after a period of compulsory detention. The full implications of this in backdated costs being sought by other local authorities from Trafford are estimated to be £1.498m and a provision has been included in this outturn position. These costs are subject to a legal process and decisions by the Secretary of State.</p> <p>The 2019/20 budget included a savings target of £560k. This has now been achieved in full.</p>
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		<p><u>Note 2</u></p> <p>The year-end figures show there is a favourable variance of £286k. This is due to the following:-</p> <ul style="list-style-type: none"> • £185k under budget on staffing due to vacancies, adverse movement of £60k; • £101k under budget on client equipment and maintenance, favourable movement of £22k. <p>The coronavirus has had a significant impact on the service and changes to its service delivery. However, the additional costs incurred to the end of March of £124k are being met by the CCG from their allocation given by the NHSE.</p>
Public Health	425	<p>Outturn variance £425k adverse, a favourable movement of £180k since period 10.</p> <p>The service has been under significant pressure this year to reduce its expenditure in order to mitigate the increasing costs of the Community Services contract which transferred from Pennine Care NHS Foundation Trust to Manchester Foundation Trust (MFT) on the 1st October 2019.</p> <p>The additional cost pressure amounted to £1.641m and savings achieved in year have amounted to £1.216m from planned measures, staffing savings and other variances.</p> <p>Not all the savings are recurrent meaning there is pressure on the 2020/21 budget of £1.091m which has been met from additional budget provided in the MTFP of £981k and anticipated reductions to spend of £110k.</p>

Place	206	<p>Outturn variance £206k adverse, a favourable movement of £90k since period 10 report.</p> <p>Movement since period 10:</p> <p>The overspend includes £185k of unexpected COVID-19 related costs and income pressures in March. These pressures include income reductions relating to let estate rents £108k, parking £24k, Building Control £14k and licencing £10k, plus additional property costs of £29k.</p> <p>The other key movements in the outturn includes £103k reduction in street lighting energy costs (including one-off procurement rebates), additional rental income of £60k related to the Altair development, additional parking income £44k, and reductions in various other running costs and additional income £68k.</p> <p>Outturn:</p> <p>The overall net overspend includes variances as reported previously and updated/added where appropriate:</p> <ul style="list-style-type: none"> ➤ COVID-19 cost/income pressures of £185k in March (as above); ➤ back rent / service charges owing for Urmston Library £263k and historic energy costs of £59k; ➤ estimated £192k shortfall in income from Stretford Mall turnover rent, continuing from 2018/19, offset by additional rent income from Stamford Centre £59k, Station House £26k, Airport £31k, Altair £60k and other let estate costs/income £55k; ➤ Additional one-off costs of £135k associated with surplus properties awaiting disposal / re-development; ➤ Aborted design costs relating to the proposed redevelopment of Altrincham Leisure Centre £227k; ➤ Non-highways works £38k and grounds maintenance £55k; ➤ Building control trading account has a forecast net deficit of £70k for the year (excluding COVID-19 losses above); ➤ The total staff cost underspend from vacancies is £331k, which is 6.8% of the overall staffing budget and £268k in excess of the Directorate-wide efficiency savings target; ➤ Street lighting energy cost underspend £103k; ➤ £168k one-off additional income from Regent and
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		<p>Oakfield Road car parks remaining open longer than expected;</p> <ul style="list-style-type: none"> ➤ £88k of other parking income (excluding COVID-19 losses above), including fines; ➤ Additional rental income from operational estate £125k; ➤ Other minor variances net underspend of £35k. <p>Note – The Planning service budget is ring-fenced in line with government regulations resulting in a neutral impact on the outturn. There was a £222k underspend in 2018/19 which has been carried forward to 2019/20 through reserves accordingly. There is an underspend of £305k from staff vacancies in the outturn for 2019/20 and £72k in running costs, partly offset by a shortfall in income against target of £152k. The net surplus balance of £225k will be transferred to the ring-fenced reserve accordingly.</p>
People	66	<p>Outturn variance £66k adverse, unchanged from the period 10 report.</p> <p>The outturn is unchanged from last reported but includes a number of individual movements across the service areas.</p> <p>In particular, this includes £277k of unexpected cost and income pressures in March directly related to COVID-19. This relates to trading with schools, £172k for catering and £105k for the Music Service. These have been offset by an underspend in the budgeted contribution to the Catering and Cleaning traded services prior to COVID-19 of £234k. Bereavement Services net income is also £34k higher than forecast previously.</p> <p>The outturn variance for the year is summarised below:</p> <ul style="list-style-type: none"> ➤ Staff costs are £18k below budget across the Directorate based on actual vacancies across the year, a favourable movement of £54k since last reported. ➤ Running costs are overspent by £50k, an increase of £21k, including staff parking costs which will be fully recovered from 2020/21. ➤ Bereavement Services net income is £104k above budget, an increase of £34k. Traded services with schools is a net deficit of £43k after inclusion of COVID-19 losses above. Other income is £34k above budget.

		<ul style="list-style-type: none"> ➤ These are offset by the budgeted Directorate-wide efficiency saving target of £128k.
Finance & Systems	(65)	<p>Outturn variance £65k favourable, an adverse movement of £111k since period 10 report.</p> <p>The movement includes £59k of ICT costs directly related to the COVID-19 pandemic. There are also professional fees in Finance from the Sale PFI review which will deliver savings on the remaining PFI contract.</p> <p>The outturn variance for the year is summarised below:</p> <ul style="list-style-type: none"> ➤ Staff costs are £197k less than budget across the Directorate based on actual vacancies across the year, which is 2.1% of the total staffing budget and £17k lower than last reported. The staffing underspend includes £373k in Finance, mainly related to Exchequer Services where staff turnover is traditionally high, and also in Financial Management from the early part of the year following a restructure. There is £122k in ICT which has also undergone a restructure this financial year. Transformation team has a one-off cost above budget of £298k while the service is reconfigured within the Council, has been addressed in the Medium Term Financial Plan from April 2020. There are currently 17 vacancies across all the Directorate service areas which are actively being recruited to or subject to restructuring; ➤ Running costs are overspent by net £6k which is an adverse movement of £94k from last reported, mainly due to COVID-19 related ICT costs and Sale PFI professional fees outlined above. ➤ Income is £61k above budget which is unchanged and includes £23k proceeds of crime income previously reported; <p>The above are offset by the budgeted Directorate-wide efficiency saving target of £187k.</p>
Governance & Community Strategy	117	<p>Outturn variance £117k adverse, an adverse movement of £141k since the period 10 report:-</p> <ul style="list-style-type: none"> ➤ Staff costs are underspent by £533k. This is due to vacancies during the year, which is 7.4% of the staffing budget. The underspend has increased by £18k since last reported. Efforts are ongoing to fill outstanding vacant posts and the staffing underspend includes £287k in Legal Services, £140k in Access Trafford (contact centre) and

		<p>£109k in Partnerships and Communities. There are currently 17 vacancies across the service areas which are actively being recruited to or subject to restructuring.</p> <ul style="list-style-type: none"> ➤ Running costs are overspent by £199k which is £66k higher than last reported mainly due to additional costs of upgrades to the Council's CRM system £93k. The overall overspend also includes £50k relating to the trading position of the Waterside Arts Centre (as above), and £56k in Access Trafford relating to ICT software reported previously. ➤ There is a shortfall in income of £153k compared to budget. This is an adverse movement of £101k since last reported. This includes £22k related to the COVID-19 impact on income at Sale Waterside and £73k relating to the expected repayment of an EU grant. The overall shortfall also includes £35k relating to capital fees (related to staff vacancies) and £12k reduction in external SLA income in Legal and Democratic Services. ➤ There is an overall shortfall in other savings of £105k. This includes £74k relating to income for Sale Waterside Arts Centre, and £31k CCTV trading income. <p>The above are offset by the budgeted Directorate-wide efficiency saving target of £193k.</p>
Council-wide budgets	(4,667)	<p>Projected outturn variance £4.667m favourable, a favourable movement of £131k since period 10 report:-</p> <ul style="list-style-type: none"> • Release of contingencies of £1.934m; • As previously reported, the total MAG dividend received in the year has exceeded the budget by £1.332m; • Investment Properties income above budget has now reduced to £712k, an adverse movement of £1.517m since P10 to reflect the transfer of a prudent £1.5m to cover the potential impact of COVID-19 on rental income in 2020/21; • Savings on Insurance premiums and claims provisions of £286k; • Additional income, including a rebate from the GMCA £250k; • Coroners budget contract savings £69k;

		<ul style="list-style-type: none"> • The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £608k, an adverse movement of £113k since period 10. This pressure is a combination of reduced subsidy resulting from a review of the treatment of temporary and supported accommodation, and lower collection rates of prior years' housing benefit overpayments. After further consideration during the closedown review of reserves it has been considered prudent to bolster the Housing Benefit Reserve by a figure of £500k which will be used to smooth any future pressure, this is £200k higher than previously reported. This contribution will increase the overspend on Housing Benefit to £1.108m. • A shortfall in Liability Order costs income of £208k, a minor improvement of £5k since period 10; • The Bad Debt Provision for general debtors has been increased by £248k to £380k as a prudent measure during the current economic climate. This increase is £133k above budget. • Other net favourable variances of £136k; • Covid-19 – In March the Council received its first instalment of grant funding from MHCLG of £6.119m to cover cost and income pressures caused by the pandemic. An amount of £1.397m has been used and accounted for in the Council Wide budget to offset the service pressures in this report with the balance of £4.722m carried forward to an earmarked reserve. • Sale PFI Bullet Payment – the Sale Waterside PFI budget is held within Council Wide and following an adjustment to the final bullet payment which is due at the end of the PFI contract, an amount of £0.8m has been released from the accumulated liability amount set aside on our balance sheet. This unbudgeted amount has been transferred into the Budget Support reserve and therefore has had no impact on our outturn position.
Funding	285	See paragraph 15 below.

Dedicated Schools Grant	(665)	<p>Underspends are within the schools block (growth fund and de-delegated budgets of £644k) and the central schools budget of £97k. This is offset by an overspend in the high needs block of £76k.</p> <p>This underspend will be transferred to the central DSG reserve to give a year end balance of £2.895m; an element of this is ringfenced in respect of de-delegated sums from the school's budget £697k, growth fund £468k, and PRUs £148k with the remainder able to support any future pressures within the high needs block.</p>
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Impact of COVID-19

8. As a result of the Covid-19 Pandemic, on the 19th March the Government announced a £1.6bn package of support to help local authorities respond to some of the underlying pressures in their local area. Trafford's share of this first phase of support at £6.1m was received in the 2019/2020 financial year and as such has been accounted for in Council Wide as a government grant. Whilst the Service Area and Funding budgets have reported their Covid-19 related pressures separately, the grant has been treated as a centrally held resource for monitoring purposes. A summary of the Covid-19 pressures by service area, which will be met from the grant is shown in Table 3 below, with the remaining balance being carried forward in an earmarked reserve to meet the substantial and ongoing impact in 2020/21.

Table 3 – Impact of COVID-19 on Services	2019/20 £
Government Grant	(6,118,593)
Children's Services	Nil
Adult Services Funded by CCG	124,000 (124,000)
Place	185,000
People	277,000
Finance & Systems	59,000
Governance & Community Strategy	22,000
Council-wide	133,000
Business rates	250,000
Council Tax	328,000
Capital Programme Costs (ICT equipment)	143,000
Total Net Pressures	1,397,000
Balance carried forward Covid-19 Reserve	(4,721,593)

9. The net pressures felt in 2019/20 have been detailed in the service narratives in Table 2 and includes actual expenditure and income pressures such as additional equipment and lost trading income plus assumptions on lower collection rates relating to historic debt such as Council Tax, Business Rates and general debtors. Net pressures of £1.397m have been identified, which will be met from the Government Grant leaving a balance of £4.722m which will be carried forward in the Earmarked Covid-19 Grant Reserve.

MTFP Savings and increased income

10. The 2019/20 budget is based on the achievement of permanent base budget savings and increased income of £6.855m. The draft outturn shows that £6.830m (99.6%) of the savings target have been achieved giving a small shortfall of £25k.

Table 4 – Income and Savings Proposals 2019/20 Budget	Savings Target £	Savings Achieved £	Surplus \ (shortfall) £
Target Agreed at Budget Council February 2019	6,855,000	6,830,000	25,000

RESERVES

11. The Council's usable reserves at 31st March 2020 are £91.37m, an increase of £19.03m over the year.

Table 5 - Usable Reserves	Opening Balance 1/4/2019 £m	Closing Balance 31/03/2020 £m	Change £m
Budget Resilience and Smoothing	25.32	31.29	5.97
Strategic Priority	7.55	11.54	3.99
Corporate	2.52	2.05	(0.47)
General Reserve	7.00	7.00	0.00
Service Area Priorities	7.40	6.64	(0.76)
Earmarked Reserves	49.79	58.52	8.73
Capital Related Reserves	11.99	21.82	9.83
School Related Reserves	10.56	11.03	0.47
Total Usable Reserves	72.34	91.37	19.03

Details of all reserve movements is shown in Appendix 2 with the major changes as follows:-

Budget Resilience and Smoothing – Net Increase of £5.97m:-

- **Covid-19 Grant Support Reserve**, this reserve was established in 2019/20 to hold the balance of Government grant to support local Covid-19 related pressures as identified in paragraph 8. The year-end balance is £4.72m.

The considerable impact of Covid-19 pressures will continue to be felt in 2020/21. In addition to the government grant reserve, further resources are likely to be required and as such the first monitor in the new financial year will include a full review of opening reserve balances in order to establish a new earmarked Covid-19 General Reserve.

- **Budget Support Reserve** a net increase of £4.41m, consisting of £2.624m application to support the 2019/20 budget as agreed by Executive in February 2019, the transfer of £2.73m and £2.0m from the MAG Dividend Reserve and Business Rates Risk Reserve as agreed by Executive in February 2020, plus the transfer of the in-year budget surplus of £298k. In addition a further £0.8m has been transferred into the Reserve following an adjustment to the final bullet payment which is due at the end of the Sale Waterside PFI contract. The transfer has come from the accumulated bullet payments held on our balance sheet as a long term liability and therefore has had no impact on our outturn position. A further £1.204m has also been transferred from part of a one-off redistribution of GM Waste reserves of £2.7m. The balance of £1.5m has been set aside in a reserve for the potential contribution to Bus Reform in 2020/21 (see below in Strategic Priority).
- **Business Rates Risk Reserve** a net reduction of £0.8m from the Business Rates budget, largely due to the redistribution of 2018/19 Business Rate Growth Pilot less the 2019/20 in-year deficit £1.2m (see paragraph 19) less £2m transferred to the Budget Support Reserve as agreed by Executive in February 2020.
- **Interest Rate Smoothing Reserve** – increase of £0.841m mainly due to timing differences on debt repayment.
- **MAG Dividend Reserve** a reduction of £2.73m which was transferred to Budget Support Reserve as agreed by Executive in February 2020; this action was taken prior to the current pandemic and the balance stands at £0.550m at year end.
- **Housing Benefit Overpayment Reserve** – this reserve was established to smooth volatility in recovery of benefit overpayments, an increase of £73k in 2019/2020 consisted of £427k agreed budget support, plus top up of £500k to provide future resilience.
- **Employment Rationalisation Reserve**, reduced by £444k to £1.0m as agreed as part of the review of reserves during the year.
- **Members ICT Reserve** – reduced by £70k in year to finance new equipment.

- **EU Exit Monies** – increased by £210k additional government grant to support Brexit pressures.

Strategic Priority – Net Increase of £4.00m:-

- **Strategic Investment Property Risk Reserve** – increased by £3.5m to provide a cushion against medium term risks and short-term downturn in market conditions due to the Covid-19 pandemic.
- **Children’s Action Fund** – established in 2018/2019 to provide resource to support the action plan relating to OFSTED findings. This reserve has been drawn down by £1.12m as planned.
- **Major Projects and DSG Reserve** – reduced by £121k during the year, including £301k drawn down in respect of the Council’s obligations for student accommodation for UA92 and an increase of £180k to support the Modernisation Programme in 2020/21.
- **Leisure Centre Redevelopment Risk Reserve** – increased by £0.518m reflecting a transfer from other earmarked reserves as part of a review of reserves during the year. This reserve was established to manage risk during the leisure centre refurbishment programme.
- **Bus Reform Reserve** – an amount of £1.5m has been set aside from the one-off redistribution of GM Waste reserves, referred to above, for the potential contribution to Bus Reform in 2020/21.

Corporate – Net Reduction of £0.47m:-

- **NDR Deficit Reserve** – holds Trafford’s share of the Business Rates Collection Fund deficit and National Levy Rebate distributed in 2019/20, net reduction in year of £0.798m.
- **STaR Procurement Reserve** – reduction of £94k to meet 2019/20 budget as planned.
- **Planning Income Reserve** - this ring-fenced reserve holds surplus planning income with specific statutory conditions attached and increased by £136k.
- **Council Tax Smoothing Reserve** – increased by £285k to hold timing difference of Trafford’s shortfall in estimated Council Tax surplus.

Service Priority Reserves – a net application of £0.76m:-

- **ICT Development Reserve** – increased by £326k to cover capital commitments and to provide budget resilience in 2020/21
- **Economic Development Reserve** – reduced by £181k to meet commitments in year

- **Service Carried Forward Reserves** – net application of £0.597m to meet planned requirements during the year.

Capital Related Reserves

- Increased by £9.83m, committed for use in the application of financing capital budget in future years.

COLLECTION FUND

Council Tax

12. The 2019/20 surplus on the Council Tax element of the Collection Fund is shared between the Council (82%), the Police & Crime Commissioner for GM (13%) and GM Fire & Rescue Authority (5%). The total surplus brought forward as at 1 April 2019 was £2.18m of which the Council's share was £1.82m. A figure of £1.59m was planned to be released to support the 2019/20 budget, with the remaining balance of £0.59m released in 2020/21.
13. During the year there was a surplus on the Collection Fund of £0.52m, however this figure consists of an underlying deficit of £0.92m, which has been offset by the release of one-off 'Credits held' of £1.44m, relating to historical overpayments by previous council tax payers who have now left the area and cannot be traced.
14. The underlying deficit on the Collection Fund has largely been caused by the award of discounts and reliefs (single person discount, carers discount) exceeding our budget expectations. In previous years, better than expected collection rates on historic debt has provided a level of unbudgeted windfall, however our provision for bad debt has been bolstered by £0.4m to reflect the potential for lower collection rates due to the Covid-19 pandemic. This has neutralised any potential windfall from historic debt collection.
15. When preparing the 2020/21 budget, the Council estimates the level of surplus in the current financial year, which is available for distribution in 2020/21. At the time of the Period 6 monitoring, the Council was forecasting an in-year surplus in the region of £0.87m, with Trafford's share being £0.72m. As a result of the in-year surplus reducing to £0.52m, this effectively means that the Council will need to set aside a figure of £0.285m to make good the shortfall. Consequently a contribution to a Council Tax smoothing reserve has been made in 2019/20 which will be used to reimburse the Collection Fund in 2021/22.
16. Council Tax collection rate as at 31 March 2020 was 97.8%, compared to the target of 98.1%.

Business Rates

17. The 2019/20 budget included anticipated growth in retained business rates and related S31 grants of £13.29m. During the year there continued to be significant volatility in the rating system as a result of a pattern of properties being converted to residential settings and some significant backdating of appeal costs. Demolitions and

refurbishments saw a reduction in total Rateable Value of £4.08m which equated to approximately £2.0m in reduced income, some significant historic appeals were settled during the year which were met from our existing appeals provision. A review of our appeals provision relating to the impact of the major transport infrastructure developments on the Trafford Park and Trafford Centre areas has been undertaken. This review identified that those appeals relating to the Trafford Centre were dismissed by the VOA, with those relating to Trafford Park still being considered. A further exercise has taken place to release one-off 'Credits held' of £1.05m, relating to historical overpayments. As a result of the Covid-19 pandemic, the provision for bad debt has been bolstered to reflect the potential for a higher level of default on historic debt. As a result of all of the above, there is a year-end deficit of £1.3m on the Collection Fund. This is a significant improvement over the estimated deficit of £5.7m at period 10.

18. The deficit on the Collection Fund has been offset by a number of movements relating to business rates items within the General Fund; these include a favourable £122k relating to the National Levy Rebate, shortfall in Section 31 Grants £491k and a lower No Detriment Payment of £0.697m to Greater Manchester Combined Authority due to the lower growth. The net impact of the Collection Fund and General Fund items is a £0.953m shortfall.
19. As previously reported, the GMCA has agreed that a figure of £20m would be redistributed back to pool members relating to 2018/19 retained Business Rates, of which Trafford's share is £2.15m. It was agreed in Period 6, a figure of £200k would firstly be used to replenish the Housing Benefit Overpayment Risk Reserve, with the remaining balance of £1.95m being used to either meet the in-year pressure in the rates budget or replenish the Business rates Risk Reserve. Subsequently, a balance of £0.953m will be used to meet the 2019/20 shortfall, with £1.2m being transferred to the Business Rate Risk Reserve. This reserve stands at £7.9m at year end.
20. The table in Appendix 3 shows the components of the above in detail.
21. Business Rates collection rate as at 31 March 2020 was 98.0% compared to a targeted collection rate of 98.1%.

Transformation Fund

22. The Trafford locality was awarded £22m in October 2017 from the Greater Manchester (GM) £450m Transformation Fund delegated to Greater Manchester Heath & Social Care Partnership (GMHSCP) by NHS England. Of this £7.1m was allocated to the Council to support delivery of savings. As at 31 March 2020 £5.3m has been utilised and supported by match funding across a range of schemes and delivered £8.3m of recurrent savings. The remaining grant will be utilised in 2020/21.

CAPITAL PROGRAMME

23. Capital expenditure for 2019/20 amounted to £196.27m as summarised in the following table:-

Table 6: Capital Investment Programme 2019/20	Revised Budget £m	2019/20 Expenditure £m	Variance £m
Service Analysis:			
Children's Services	13.63	5.75	(7.88)
Adult Social Care	3.53	3.60	0.07
Place	45.39	28.10	(17.29)
Governance & Community Strategy	0.69	0.01	(0.68)
Finance & Systems	2.39	1.02	(1.37)
General Programme Total	65.63	38.48	(27.15)*
Asset Investment Fund	197.14	157.79	(39.35)
Total Programme	262.77	196.27	(66.50)

(*) The underspend has increased by £11.22m since last reported and the key changes are explained in paragraph 33 below.

GENERAL CAPITAL PROGRAMME

24. The major areas of investment included :

School Improvements - £5.36m:-

- Capital Maintenance & Access works - £2.47m
- Expansion & Basic Need Works - £1.72m
- SEND and Healthy Pupils Funding works - £670k
- Improvements via Devolved Formula Capital - £500k

Children Social Care - £390k:-

- Children's Portal and Talkshop - £200k
- Foster Carers - Accommodation Improvements - £190k

Adult Social Services - £3.60m:-

- Disabled Facilities Grants - £3.41m
- Assistive Technology / Agile Working - £190k

Major works on Public & Operational Buildings - £1.04m:-

- Public Building Repairs & DDA Improvements - £650k
- Other Schemes- £390k

Regeneration Projects - £2.46m:-

- Manchester Airport – Strategic Investment - £1.87m
- Altrincham and Stretford Town Centre schemes - £320k
- Westpoint DDA works - £110k
- Other Schemes - £160k

Highway & Transport Related Improvements - £15.28m:-

- Metrolink extension contribution - £8.01m
- Highway Structural Maintenance (Inc. Lighting) - £5.50m
- Traffic & Transport - £970k
- Bridges Programme - £800k

Sport, Recreation & Culture and Recycling - £8.07m:-

- Urmston Leisure Centre - £7.06m
- Parks and Play Areas Infrastructure - £470k
- Sport & Leisure Centre developments – £240k
- Altrincham & Stretford Leisure Centres - £170k
- Other Schemes - £130k

Governance and Communities - £10k:-

- Partnership and Communities - £10k

Finance and Systems – £1.02m:-

- Range of ICT initiatives - £1.02m

Financing of General Capital Expenditure

25. The expenditure was financed predominantly from grants and external contributions, supplemented by specific reserves, anticipated borrowing and small levels of receipts. The actual levels applied are shown below:

Table 7: Financing of General Capital Expenditure 2019/20	Budget £m	Actual £m
Internal Resources		
Capital Receipts	12.53	2.01
Specific Reserves & Revenue	3.83	3.14
Borrowing	17.90	12.26
Sub-Total	34.26	17.41
External Resources		
Grants & Contributions	31.37	21.07
Total Programme	65.63	38.48

26. In terms of grants and contributions there are none that are at risk of clawback and therefore will be able to fund schemes that they are earmarked towards in future years.
27. It was assumed within the budget that in 2019/20 capital receipts of £12.53m would be realised. The actual amount of receipts received and able to be utilised to fund the capital programme was £2.01m. The reason for this has been a slowdown, and a delay, in the rate at which assets have been disposed of. The shortfall in capital receipts has been managed within the current available resources within the programme.

28. As part of the Period 2 monitor within the financial year 2020/21 a review of the current position in terms of assumed capital receipts will be carried out and the capital programme position revised to reflect any changes.

Performance against budget and explanation of major variances

29. The original budget for 2019/20 was approved at £67.93m in February 2019 but this has subsequently been revised during the year for new grant approvals and other changes approved by the Executive resulting in a revised budget of £65.63m as at Period 10.
30. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the Programme through to completion. The table below shows the value of the programme across the milestone categories.

Table 8: Status on 2019/20 Projects	Current Budget £m	Percentage of Budget
Already complete	36.41	55%
On site	21.97	34%
Programmed to start	4.12	6%
Not yet programmed	3.13	5%
Total	65.63	100%

The first three categories demonstrate the progress that has been made in delivering the priorities and shows that £61.66m (95%) of the budget has now been committed or is programmed to start.

31. Final expenditure of £38.48m represents an overall variance of £27.15m. Capital expenditure by its nature can fluctuate and be difficult to forecast across a single financial year, and can also be affected by factors outside the Council’s direct control. An explanation of the variations by Directorate is shown in Appendix 4.
32. The in-year level of capital investment expenditure is below that of the revised budget and a summary of the major variances is shown below. Appendix 5 provides an analysis of the variance at a service level.

Table 9: Actual Capital Expenditure compared to Revised budget 2019/20	£m
Revised Budget (P10)	65.63
Actual Outturn	38.48
Variance	(27.15)
Explained By:-	
Re-profiling to future years	(27.45)
Acceleration	0.19
Additional	1.11
Savings	(1.00)
Total	(27.15)

33. The last capital monitoring report was at period 10, and indicated a forecast outturn of £49.70m against the revised approved budget of £65.63m. This was a variance of £15.93m and included a number of schemes where resources have been re-profiled as follows;

- £2.80m of Basic Need funding that is currently unallocated but has been included as part of the planning for the 2020/21 programme to deliver secondary school places.
- £1.00m in relation to outstanding land compensation on the Altair development.
- £2.40m for Urmston to Sale Water Park cycle scheme which has been delayed whilst the design and agreement are finalised with the funding body and £0.42m Altrincham Town Centre cycle link which needs an increase in funding to deliver.
- £600k for Highway Infrastructure Safety Improvements for which design work has taken place, but the majority of the spend will now be in 2020/21.
- £1.00m in relation to Football Facility Provision, the budget includes grant support of £596k from the Football Foundation. Negotiations are still ongoing and as a result a date for implementation for the scheme is still to be finalised.
- £1.02m for Section 106 funded programme of works; plans to utilise these contributions around parks, green spaces and tree planting are underway and the amounts have been included in the 2020/21 programme.
- £1.20m around ICT improvements with the majority linked to Office 365 roll-out which there have been delays due to the availability of hardware to implement this.

In addition to the variances from original budget detailed above, additional variances of £11.22m are also included in the Outturn, all of which have been re-profiled on schemes that are still to be completed. The main areas are;

- £2.19m of School expansions relating to schemes at Worthington Primary School which was due to commence in early March but as a result of the COVID-19, there were issues within the supply chain which led to a delay, work has now started on site. There has also been a delay at Gorse Hill primary school where there have been issues with the contractor.
- £520k on SEND Capital works across a number of schemes with the main scheme being at Delamere Special School where the design and consultation process on the hydro-pool is taking longer than anticipated.
- £831k on Capital Maintenance where there have been a number of small delays on schemes and contractor issues at King Road Primary school.
- £1.83m for Manchester Airport Project Apollo, this was due to be paid in 2019/20 but has been delayed until early in 2020/21.

- £972k on Integrated Transport where there has been some delays in scheme delivery, including £518k for Residents Parking Schemes that have required further consultation.
- £2.16m on Highways Structural Maintenance, the vast majority of schemes have incurred costs in 2019/20, however, due to varying reasons not all schemes were concluded in year and so will continue into 2020/21.
- £381k on a number of smaller Parks and Greenspaces schemes

Re-profiling is shown at an individual scheme level in Appendix 5.

34. During 2019/20 additional expenditure of £1.11m has been incurred on a number of projects of which £726k has been financed from specific resources. These include:
- £379k relating to capital lifecycle works at Sale Waterside funded by pre-payments for lifecycle expenditure as part of the PFI arrangements,
 - £143k of ICT costs for the roll-out of agile working requirements as a result of the Covid-19 pandemic, which is funded by grant,
 - £93k of property related repairs which have been funded by insurance claims,
 - £74k of additional Disabled Facility Grant costs funded by social landlord contributions,
 - £26k of highway works has been done under S278 of the Highways Act and financed from developer contributions
 - £11k of highways works relating to cycleways and pedestrian facilities funded by TfGM grant.
35. A further £383k of additional costs across a range of schemes has been incurred on schemes supported by Trafford resources and these can be financed by savings on other schemes. These include :
- Urmston Leisure Centre – Redevelopment - £225k
 - Highways Tree Resolution - £57k
 - Disabled Facilities Grant - £56k
 - Other Schemes - £101k
36. Saving on schemes total £1m, of which £220k is on schemes financed from ring-fenced resources. The remainder of the savings is on schemes financed from capital receipts with individual details given in Appendix 6. Taking account of the overspend of £380k described above, this leaves a net saving on schemes supported by Trafford's internal resources of £400k.
37. It is to be noted that as a result of the current Covid-19 pandemic, in 2019/20 there have been costs of £143k specifically attributed to it within the capital programme. These costs specifically relate to ICT and introduction of agile working within the Council, and have been fully funded by the COVID-19 grant. Any further impacts of Covid-19 on capital expenditure in 2020/21 will be picked up in the budget monitoring throughout the year.

ASSET INVESTMENT FUND

38. In February 2020 approval was given to increase the Asset Investment Fund to £500m, supported by prudential borrowing, to support the Council's Investment Strategy. By the end of 2019/20 seventeen transactions have been agreed by the Investment Management Board at a total capital cost of £374.48m. The balance available is £125.52m based on approval by Council in February 2020 (table 10 below).

Table 10: Asset Investment Fund	Prior Years £m	2019/20 £m	Commitment £m	Total £m
Total Investment Fund				500.00
Cost				
K Site, Stretford:-				
Equity in Trafford Bruntwood LLP	9.10	1.61	1.54	12.25
Development Loan to Bruntwood	9.10	1.61	1.54	12.25
Sonova House, Warrington	12.17			12.17
DSG, Preston	17.39			17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84			10.84
Trafford Magistrates Court	4.07			4.07
The Fort, Wigan	13.93			13.93
Sainsbury's, Altrincham	25.59			25.59
Brown Street, Hale (*)	0.66	2.68	4.15	7.49
The Crescent, Salford		39.67	21.13	60.80
CIS Building, Manchester		60.00		60.00
Stretford Mall & Stamford Qtr.				
Stretford Mall, Equity		8.82		8.82
Stamford Quarter, Equity		16.69		16.69
Acquisition Loan to Bruntwood		25.57	0.32	25.89
The Hut Group			67.50	67.50
Former sorting office, Lacy Street, Stretford		0.86	0.04	0.90
Various Development Sites		0.29		0.29
Total Capital Investment	102.95	157.79	96.22	356.86
Albert Estate Treasury Investment			17.62	17.62
Total Capital Investment	102.85	157.79	113.84	374.48
Balance available				125.52

(*) There have been delays to the Brown Street scheme as a result of the main contractor on the development going into administration at the end of March 2020. Work is currently being done to appoint a replacement contractor to complete the

work under a management contractor utilising many of the current subcontractors already working on the scheme. As a result of this, and the Covid-19 impact, net profit on the scheme will be reduced by around £400k, which will have an impact on the capital receipt. To offset this impact, savings of £400k have been identified within the capital programme.

39. The investment fund generated gross income of £13.61m in 2019/20, with net income, after financing costs and fees, of £3.12m. The net return is £0.71m higher than the budgeted target return for 2019/20. This variance was mainly due to the addition of income generating assets mid-year, such as the new debt investment assets at the CIS Tower and the Hut Group. The high level of income, in addition to supporting the revenue budget, also allowed the Council to make a contribution in year to its risk reserve of £3.50m.
40. The Investment Fund and schemes within it are continually under review to ensure that the schemes and investments offer the best value for money whilst ensuring that they tie into the aims of service delivery within the Council.

Prudential Indicators

41. The Council is required to maintain these indicators which are designed to show that its capital expenditure plans are prudent, affordable and sustainable. Detailed in Appendix 7 are the actual capital programme related indicators agreed in February 2020.

Recommendations

42. It is recommended that the Executive:

- a) note the report and the revenue outturn position showing a budget underspend of £298k, which will be transferred to the Budget Support Reserve;
- b) note and agree the other changes to reserves as detailed in paragraph 11 and Appendix 2;
- c) note the final capital programme outturn position as detailed in paragraphs 25 to 43.

Other Options

Not Applicable

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer Clearance**GB**.....
Legal Officer Clearance**JL**.....



CORPORATE DIRECTOR'S SIGNATURE

Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	* Central Services (£000's)	Council- wide (£000's)	Total (£000's)
Period 10 Report	36,057	60,550	34,862	18,576	19,892	169,937
Future Gov Phase 1A				24	(24)	0
Total virements				24	(24)	0
Period 12 Report	36,057	60,550	34,862	18,600	19,868	169,937

* People, Finance & Systems and Governance & Community Strategy.

Trafford Council Reserves Movement 2019 to 2020	Balance 31.3.19 £000	Spend/ (income) 2019/20 £000	Transfer to/from reserves 2019/20 £000	Balance 31.3.20 £000	Net Movement £000
Budget Resilience and Smoothing					
Manchester Airport Group Dividend	(3,283)	0	2,733	(550)	2,733
Budget Support Reserve	(5,484)	322	(4,733)	(9,895)	(4,411)
Business Rates Reserve	(8,776)	(1,201)	2,000	(7,977)	799
COVID 19	0	(4,722)	0	(4,722)	(4,722)
Insurance Reserve	(1,870)	(30)	0	(1,900)	(30)
Employment Rationalisation Reserve	(1,444)	0	444	(1,000)	444
Housing Benefit Overpayments Reserve	(427)	(73)	0	(500)	(73)
Higher Needs Support Reserve	(572)	(364)	468	(468)	104
Synthetic Pitch Replacement Reserve	(63)	(15)	0	(78)	(15)
Legal Services Reserve	(178)	72	0	(106)	72
Local Search Litigation Costs Reserve	(100)	(43)	0	(143)	(43)
Civic Vehicle Replacement	(32)	(5)	0	(37)	(5)
Waste Levy Reserve	(1,075)	16	0	(1,059)	16
Winter Maintenance Reserve	(120)	0	0	(120)	0
Elections Reserve	(247)	103	0	(144)	103
Interest Rate Reserve	(1,291)	(841)	0	(2,132)	(841)

Exchequer Services Reserve	(185)	43	0	(142)	43
Members ICT reserve	(70)	70	0	0	70
EU Exit Funding Reserve	(105)	(210)	0	(315)	(210)
Total Budget Resilience and Smoothing Reserve	(25,322)	(6,878)	912	(31,288)	(5,966)
Strategic Priority					
Transformation Fund Reserves	(5,097)	279	0	(4,818)	279
Strategic Investment Property Risk Reserve	(189)	(3,504)	0	(3,693)	(3,504)
Leisure Centre Redevelopment Risk Reserve	(150)	0	(518)	(668)	(518)
Children Action Fund Reserve	(1,500)	1,122	0	(378)	1,122
Major Projects and DSG Academy Transfer Reserve and Future Gov	(609)	589	(468)	(488)	121
Bus Reform Reserve	0	(1,500)	0	(1,500)	(1,500)
Total Strategic Priority	(7,545)	(3,014)	(986)	(11,545)	(4,000)
Corporate					
NDR Deficit Reserve	(1,590)	798	0	(792)	798
STaR Procurement Reserve	(711)	94	0	(617)	94
Planning income reserve	(222)	(136)	0	(358)	(136)
Council Tax Smoothing	0	(285)	0	(285)	(285)
General Fund Reserve	(7,000)	0	0	(7,000)	0
Total Corporate	(9,523)	471	0	(9,052)	471
Specific Area Priority					
ICT development	(299)	(143)	(183)	(625)	(326)
Economic Development Reserves	(844)	181	0	(663)	181

Libraries and Customer Services Reserve	(106)	89	0	(17)	89
Voluntary Sector Grants Reserve	(222)	108	74	(40)	182
Community Safety Reserve	(337)	18	0	(319)	18
LAA Performance Reward Grant Reserve	(115)	115	0	0	115
One Trafford Partnership	(2,106)	(23)	0	(2,129)	(23)
Sports Partnership Reserve	(145)	(70)	0	(215)	(70)
Service Carry Forward Place	(739)	88	0	(651)	88
Service Carry Forward Traded Services	(383)	(68)	0	(451)	(68)
Service Carry Forward Children's Services	(14)	14	0	0	14
Service Carry Forward Adults Services	(750)	297	0	(453)	297
Service Carry Forward Governance and Community Strategy	(69)	(58)	0	(127)	(58)
Service Carry Forward Finance and Systems	(606)	42	183	(381)	225
Service Carry Forward People and Traded Services	(669)	99	0	(570)	99
Total Specific Area Priority	(7,404)	689	74	(6,641)	763
Total Earmarked Reserves	(49,794)	(8,732)	0	(58,526)	(8,732)
Other Reserves					
Capital Related Reserves	(11,994)	(9,824)	0	(21,818)	(9,824)
Balances held by schools under a scheme of delegation	(10,559)	(468)	0	(11,027)	(468)
Total Other Reserves	(22,553)	(10,292)	0	(32,845)	(10,292)
Total Usable Reserves	(72,347)	(19,024)	0	(91,371)	(19,024)

	Budget 100% 2019/20 £	Actual 100% 2019/20 £	Variance £	Comment
Rateable Value	(374,978,371)	(370,900,235)	4,078,136	Reduction in Rateable Value of £4.08m due to demolitions and refurb resulted in a loss of income of £2.0m
Gross Rates Payable	(184,114,380)	(175,357,200)	8,757,180	In addition to the reduction in Rateable Value, £6.8m was repaid due to appeals and prior year adjustments. Total loss in rates of £8.8m
Transitional Adjustments and Mandatory & Discretionary Reliefs	18,530,213	20,078,989	1,548,776	Increase in Reliefs (largely Empty Property Relief) resulted in lower income of £1.55m
Accounting Adjustments (Appeals & BDP) & Cost of Collection	10,028,942	1,017,015	(9,011,927)	Budgeted contribution of £7.4m for appeals relating to 19/20 has been offset by a reduction in appeals provision due to some big cases being dismissed by the VOA plus a further accounting adjustment of £1.05m release of credits.
NNDR Collection Fund Income	(155,555,225)	(154,261,196)	1,294,029	Net impact of above lines resulted in a deficit on the Collection Fund of £1.3m

	Budget 2019/20 100% £	Actual 2019/20 100% £	Variance £	Comment
Local Share	(153,999,673)	(152,718,584)	1,281,089	Trafford Shares (99%) of the Collection Fund Deficit
Tariff	94,589,989	94,589,989	0	
Retained Business Rates	(59,409,684)	(58,128,595)	1,281,089	Overall impact on Retained Business Rates £1.3m shortfall
Baseline Funding Level	(53,196,876)	(53,196,876)	0	
Growth	(6,212,808)	(4,931,719)	1,281,089	Shortfall in Retained Rates (as above)
SAICA Renewable Energy	(81,648)	(81,648)	0	
Section 31 Compensation Grants	(10,501,620)	(10,010,777)	490,843	Shortfall in Section 31 Grants
National Levy Rebate	(549,761)	(671,930)	(122,169)	Additional National Levy rebate
Growth/(Decline) to Baseline	(17,345,837)	(15,696,074)	1,649,763	
GM Pilot 'No Detriment' Over Payment	10,470,846	9,077,056	(1,393,790)	Lower No Detriment payment as a result of lower rates income
GM Pilot 'No Detriment Rebate at 50%	(5,235,423)	(4,538,528)	696,895	Lower rebate from above
Release of Prior Year Surplus	(1,181,215)	(1,181,215)	0	
Business Rates Benefit	(13,291,629)	(12,338,761)	952,868	Overall shortfall on Business Rates £0.953m

	Budget 2019/20 100% £	Actual 2019/20 100% £	Variance £	Comment
Summary				
Baseline Funding	(53,196,876)	(53,196,876)		
Business Rates benefit over Baseline	(13,291,629)	(12,338,761)		
Total Business Rates Budget	(66,488,505)	(65,535,637)	952,868	
18/19 Growth Pilot Rebate		(2,154,171)	(2,154,171)	
Balance to Business Rate Risk Reserve		1,201,303	1,201,303	

CAPITAL OUTTURN 2019/20

The Council spent £196.27m on capital schemes in the last financial year. A summary analysis of this by Directorate is shown below, together with further detail on re-profiling, acceleration, overspending and savings.

				← Variance Explained By →			
General Programme	Budget 2019/20	Outturn 2019/20	Variance	Re- Profiling	Acceleration	Add'n Expend	Saving
Directorate	£m	£m	£m	£m	£m	£m	£m
Children' s Services	13.63	5.75	(7.88)	7.50	(0.05)	(0.07)	0.50
Adult Social Care	3.53	3.60	0.07	0.07		(0.14)	
Place	45.39	28.10	(17.29)	17.75	(0.14)	(0.76)	0.43
Governance & Community Strategy	0.69	0.01	(0.68)	0.63			0.05
Finance & Systems	2.39	1.02	(1.37)	1.50		(0.14)	0.02
General Programme Total	65.63	38.48	(27.15)	27.45	(0.19)	(1.11)	1.00
Capital Investment Fund	197.14	157.79	(39.35)	39.35			
Total Programme	262.77	196.27	(66.50)	66.80	(0.19)	(1.11)	1.00

An analysis of major areas of re-profiling for the General Capital Programme		Budget 2019/20	Actual	Variance	Percentage Spent	Net Reprofiling
		£m	£m	£m		£m
Children's Services						
	Schools	13.08	5.36	(7.72)	41%	7.29
	- Basic Need : Expansion schemes	6.91	1.72	(5.19)		4.79
	- Maintenance Programme	3.69	2.47	(1.23)		1.30
	- Devolved Formula Capital	0.82	0.50	(0.32)		0.32
	- SEND Programme	1.08	0.41	(0.67)		0.67
	- Other Schemes	0.59	0.27	(0.32)		0.22
	Children's Social Care Services	0.55	0.39	(0.16)	71%	0.16
	- Foster Carers – Accommodation Improvements	0.35	0.19	(0.16)		0.16
	- Other Schemes	0.20	0.20	(0.00)		0.00
Total		13.63	5.75	(7.88)	42%	7.45
Adult Social Care						
	- Disabled Facilities Grant	3.28	3.41	0.13		0.00
	- Other Schemes	0.25	0.19	(0.07)		0.07
Total		3.53	3.60	0.06	102%	0.07
Place						
	Corporate Landlord	1.63	1.04	(0.59)	64%	0.98
	- DDA Programme	0.20	0.05	(0.15)		0.14
	- Public Building Repair Programme	1.01	0.60	(0.41)		0.44
	- Other Schemes	0.41	0.39	(0.03)		0.40
	Regeneration & Strategic Planning	6.98	2.46	(4.52)	35%	4.51
	- Manchester Airport - Investment	3.70	1.87	(1.83)		1.83
	- Altair Development	1.13	0.03	(1.10)		1.10

	Budget 2019/20	Actual	Variance	Percentage	Net Reprofiling
	£m	£m	£m		£m
- Altrincham & Stretford Public Realm	0.38	0.29	(0.09)		0.09
- Greater Manchester Full Fibre Initiative	0.71	0.01	(0.70)		0.70
- Other Schemes	1.07	0.26	(0.80)		0.79
Leisure & Sports	9.51	7.51	(2.00)	79%	2.00
- Urmston Leisure Centre	6.94	7.06	0.13		0.10
- Altrincham & Stretford Leisure Centres	0.76	0.17	(0.60)		0.60
- Football Facility Provision	1.03	0.04	(0.99)		0.99
- Other Schemes	0.78	0.24	(0.54)		0.31
Housing Services	1.62	1.19	(0.43)	73%	0.43
Highways	23.31	15.28	(8.03)	66%	8.07
- Traffic & Transport	4.78	0.97	(3.81)		3.88
- Structural Maintenance Programme	8.94	5.50	(3.44)		3.54
- Bridges Programme	1.46	0.81	(0.65)		0.65
- Other Schemes	8.14	8.01	(0.13)		0.00
Environmental Services & Greenspace	2.18	0.57	(1.61)	26%	1.61
- Parks & Play Areas – Infrastructure	0.89	0.47	(0.43)		0.43
- Trio Bins – “Re-cycling on the Go”	0.13	0.05	(0.07)		0.07
- Other Schemes	1.16	0.05	(1.12)		1.12
Parking Services	0.15	0.06	(0.09)	40%	0.09
Total	45.39	28.11	(17.28)	62%	17.69
Governance & Community Strategy					
Partnerships & Communities	0.69	0.01	(0.68)	1%	0.68
Finance & Systems					
Information Technology	2.39	1.02	(1.37)	43%	1.37
General Capital Programme Total	65.63	38.48	(27.15)	59%	27.26

CAPITAL PROGRAMME 2019/20- Overspends and savings

Overspends	£000's	Financed by
Children's Portal - Liquid Logic	8	Capital receipts
No Wrong Door - Kingsway Park Children's Home	2	Capital receipts
Disabled Facilities Grants	56	Capital receipts
Urmston Leisure Centre - Redevelopment	225	Capital receipts
Highways Tree Resolution	57	Capital receipts
CPO : 17 Navigation Road, Altrincham	35	Capital receipts
Sale Waterside - PFI Lifecycle costs	379	Developer contributions
Covid 19 related ICT Costs	143	Grant
Brooklands Primary School - Boiler	63	Insurance Reserve
Shawe Hall Community Centre - Roof	12	Insurance Reserve
Urmston Cemetery - Gate pillar reconstruction	18	Insurance Reserve
Highways - S278 works	26	S.278 contributions
Disabled Facilities Grants	74	Social Landlord contributions
Highways Related Works	11	TfGM Grant
Total Overspends	1,109	
Savings		
Westpoint : DDA works (Student Accommodation)	5	Capital receipts
Victoria Park Infants School - Boiler Room alterations	5	Capital receipts
Gorse Hill Primary School, Stretford – Expansion	400	Capital receipts
Trafford Town Hall - Working space expansion	11	Capital receipts
Leisure Centres - Essential Safety & Compliance Works	225	Capital receipts
Highways related schemes	57	Capital receipts
Parking - Tariff change requirements	20	Capital receipts
Flixton House, Flixton : Refurbishment (Phase 2)	40	Capital receipts
ICT – Communication Solution	20	Capital receipts
Early Years monitoring system	97	Delivered through revenue
Lancashire County Cricket Club Development	11	Resource not available
Parks – Section 106 Projects	25	Resource not available
Waste – Trio Bins; “Recycling on the Go”	73	Resource not available
PRF – Strategic Sports Framework	11	Resource not available
Total Savings	1,000	

Prudential Indicators – 2019/20

The figures below show the Council's actual prudential indicators for 2019/20 and estimates for the following three years.

Capital Prudential Indicators	2019/20 Estimate £m	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Capital Expenditure:					
General Programme	65.63	38.48	66.83	90.00	52.50
Investment Strategy	197.14	157.79	139.35	100.00	0.00
Capital expenditure - the table above shows the capital expenditure incurred in 2018/19 and the estimated expenditure to be incurred for following three years.					
Capital Financing Requirement as at 31 March	462.28	417.28	573.72	697.05	694.79
Capital Financing Requirement (CFR) - this reflects the estimated need to borrow for capital investment (i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts).					
Financing Cost to Net Revenue Stream	4.5%	4.2%	6.0%	5.8%	6.0%
Financing costs to net revenue stream - this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council's net revenue stream. The movement from 2019/20 to 2020/21 reflects a change to the Minimum Revenue Provision calculation in respect of the completion of Investment Fund Reserve.					
Incremental Impact on Band D Council Tax (£)	£0.00	£0.00	£0.00	£0.00	£0.00
Incremental impact on band D council tax – reflects the incremental impact on the Council Tax arising from new borrowing undertaken in order to finance the capital investment decisions taken by the Council during the budget cycle. The figures above reflect that any additional borrowing is supported by revenue savings or external support.					

Local Indicators for the Asset Investment Strategy	2019/20 Estimate £m	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Gross Commercial Income	8.09	13.61	17.20	13.65	11.85
Gross Commercial Income – this is the total estimated level of income to be received from the acquisitions of commercial property and provision of senior debt finance and is required to support new debt costs associated the transactions, with any balance supporting the overall revenue budget.					
Net Commercial Income Stream	2.41	3.12	7.43	4.60	3.51
Net Commercial Income Stream – this is the estimated level of income net of any borrowing and other costs to be received from the acquisitions of commercial property and provision of senior debt finance.					
External Interest Cost	3.04	3.36	5.27	5.13	3.76
External Interest Cost – this is the interest cost of the new debt required to cover the capital cost of the new commercial activity.					
Minimum Revenue Provision (2.0% = 50 years)	1.33	1.60	2.12	2.13	2.13
Minimum Revenue Provision - this is the amount of income set aside as a provision for the repayment of the debt, required to cover the capital cost of the new commercial activity.					
Risk Reserve	1.07	3.70	1.95	2.05	1.24
Risk Reserve - this is the amount of income set aside to reserve as contingency in the event of a reduction in commercial income levels.					
Cumulative Investment Reserve	1.26	3.86	2.48	4.53	4.48
Cumulative Risk Reserve - this is the cumulative amount of reserve set aside, after annual contributions and deductions, as contingency in the event of a reduction in commercial income levels.					

Gross Commercial Income as proportion of Net Budget	4.93%	8.29%	10.16%	7.54%	6.20%
Gross Commercial Income as proportion of Net Budget – this illustrates the proportion of the net budget which is supported by the new commercial income streams.					

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 15 July 2020
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Report of the Head of Internal Audit 2019/20

Summary

The purpose of the report is:

- To provide a summary of the work of the Audit and Assurance Service during 2019/20.
- To provide an opinion on the overall adequacy and effectiveness of the Council's control environment (which encompasses internal control, risk management and governance) during 2019/20.

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

None

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TRAFFORD
COUNCIL

Audit & Assurance Service

Annual Report of the Head of Internal Audit 2019/20

July 2020

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2. Internal Audit Opinion for 2019/20
3. Work Planned and Completed

Part Two – Detailed Findings

4. Detailed Analysis of Work Completed
5. Management Response to Internal Audit Work
6. Performance against Audit Plan
7. Conformance with the Public Sector Internal Audit Standards

Appendices

A : Quarter 4 2019/20 – Internal Audit Reports Issued

B : 2019/20 Internal Audit Plan (Planned Work and Actual Days Spent)

C : Audit Opinion Reports 2019/20 – Reports Issued / Future work planned

Part One - Overview of Work Completed and Main Conclusions

SUMMARY AND OVERALL OPINION

The Annual Report of the Head of Internal Audit sets out details of the work of the Audit and Assurance Service during 2019/20. The most important aspect of the Annual Audit Report is to give an independent and objective opinion as to the overall adequacy and effectiveness of the Council's control environment during 2019/20.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2019/20 in general conformance with the Public Sector Internal Audit Standards.

Through its work, the Audit and Assurance Service aims to provide support to the organisation in its aim to maintain effective governance arrangements and a sound control environment; ensure effective systems are in place to manage risks including the risk of fraud and also demonstrate value for money.

Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service also follows up the implementation of recommendations to ensure that improvements are actually occurring.

The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2019/20. It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2020. Any further issues relating to work undertaken after that time are covered in future update reports through the year to the Corporate Leadership Team and the Accounts and Audit Committee.

Based on internal audit review work undertaken in 2019/20, the Internal Audit Opinion is that, overall, the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard.

Follow-up internal audit work in areas previously reviewed demonstrates that progress is being made to improve controls and address risks previously identified, although further action is required in respect of some areas reviewed. Where areas for improvement have been identified during 2019/20, actions have been agreed with management to be followed up in 2020/21.

The COVID-19 pandemic has not had a significant impact on levels of assurance provided to support the Internal Audit Opinion for 2019/20 given that the disruption to planned work commenced towards the year-end in March 2020. In terms of 2020/21, considerable time was spent in the first quarter of the year in providing support to the Council's response to the pandemic and audit plans will be subject to review through the year taking into account risks

and priorities.

In terms of external inspection, in May 2019, Ofsted published a report on findings following its review of Children's social care services which provided ratings of "inadequate" or "requires improvement to be good" across areas reviewed. Subsequently, this issue was also reflected in the 2018/19 External Audit Value for Money Conclusion reported to the Accounts and Audit Committee in October 2019. It was noted that during 2019/20, an improvement plan was produced in response to this which has been progressed through the year and is subject to monitoring by Ofsted.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the Annual Report of the Head of Internal Audit is to detail the work of the Audit and Assurance Service during 2019/20. The report provides an opinion as to the overall adequacy and effectiveness of the Council's control environment during 2019/20.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS). It is a requirement of PSIAS that an annual internal audit report is written and presented to the organisation.
- 1.3 The Internal Audit function is provided by the Audit and Assurance Service, which is part of Financial Management within the Finance and Systems Directorate. Day to day management is the responsibility of the Audit and Assurance Manager who reports both to the Deputy Director of Finance (line manager) and also reports directly to the Corporate Director of Finance and Systems (Section 151 Officer) on all key internal audit related matters. The Service maintains independence in its reporting as set out in its Charter and associated procedures.
- 1.4 At the start of 2019/20, the establishment of the Audit and Assurance Service comprised 6.8 full time equivalent (FTE) staff but of this total, one of the officers was on secondment to the Trafford CCG Finance team which continued until the move was made permanent in November 2019. During the year, two other staff departed in July 2020. There were two new starters during the year in October 2019 and February 2020 respectively and by the year end the following 6 FTE staff were in post:
- 1 Audit and Assurance Manager,
 - 1 Principal Audit and Assurance Team Leader
 - 1 Principal Audit and Assurance Officer
 - 3 Senior Audit and Assurance Officers
- 1.5 In addition to in-house resources, Salford Internal Audit Services provided support in respect of elements of the ICT Internal Audit Plan. The Audit and Assurance Service also worked with other Internal Audit providers where appropriate such as Stockport, Rochdale and Tameside Councils in respect of the STAR Shared Procurement Service.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy which were updated in March 2019 and approved by the Accounts and Audit Committee. These were also included as part of the 2020/21 Internal Audit Plan report shared with Accounts and Audit Committee Members in March 2020. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service. The Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met, thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers audit resources, planning, service delivery and reporting.

2. INTERNAL AUDIT OPINION FOR 2019/20

- 2.1 The Head of Internal Audit is required to give an annual opinion on the adequacy and effectiveness of the Council's internal control environment. The opinion supports the Annual Governance Statement. The Opinion for 2019/20 is as follows.

Based on internal audit review work undertaken in 2019/20, the Internal Audit Opinion is that, overall, the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard.

Follow-up internal audit work in areas previously reviewed demonstrates that progress is being made to improve controls and address risks previously identified, although further action is required in respect of some areas reviewed. Where areas for improvement have been identified during 2019/20, actions have been agreed with management to be followed up in 2020/21.

The COVID-19 pandemic has not had a significant impact on levels of assurance provided to support the Internal Audit Opinion for 2019/20 given that the disruption to planned work commenced towards the year-end in March 2020. In terms of 2020/21, considerable time was spent in the first quarter of the year in providing support to the Council's response to the pandemic and audit plans will be subject to review through the year taking into account risks and priorities.

In terms of external inspection, in May 2019, Ofsted published a report on findings following its review of Children's social care services which provided ratings of "inadequate" or "requires improvement to be good" across areas reviewed. Subsequently, this issue was also reflected in the 2018/19 External Audit Value for Money Conclusion reported to the Accounts and Audit Committee in October 2019. It was noted that during 2019/20, an improvement plan was produced in response to this which has been progressed through the year and is subject to monitoring by Ofsted.

- 2.2 Factors determining the opinion are as follows

- Audit Opinion reports were issued through the year covering a range of services, functions, systems and processes including financial system audits, ICT Audits, schools and establishment reviews, service reviews and procurement/contracts related reviews. (See Section 4 and Appendices A to C). Of the 30 final audit reports issued during the year (which

included 11 schools), 97 % of opinions stated that at least an adequate level of control was in place. Excluding schools, 95% of opinions in reports were at least adequate (See 3.5).

- For all final reports issued, action plans were agreed to implement recommendations made with the aim of improving arrangements for governance, risk management and internal control. Most recommendations made (99%) have been agreed by management (See 5.3 to 5.6).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2019/20 and significant progress had been made in implementing recommendations. Follow up review work undertaken during the year has identified that, overall, of the areas reviewed 86% of recommendations previously made had been fully implemented. (See 5.7 to 5.11 for an analysis of follow up audit reviews both for Council and schools related reviews).
- Key strategic risks have continued to be monitored through the year. Audit and Assurance has contributed to the review and update of the Strategic Risk Register which has been reported to the Corporate Leadership Team and the Accounts and Audit Committee. Strategic risks are also reflected where applicable as part of significant issues in the Council's Annual Governance Statement (AGS) as referred to in the paragraph below. By the year-end, the impact of COVID-19 was added as the highest risk to the risk register. (See 4.2).
- The Audit and Assurance Service worked with Legal and Democratic Services to assist in planning the approach for the production of the Council's 2018/19 AGS and provided advice including undertaking a review of the draft document. The 2018/19 AGS identified a number of significant governance issues for 2019/20 including in relation to the Council's medium term financial position; risks associated with the EU exit; review of the One Trafford Partnership with Amey; improvement actions in response to the Ofsted review of Children's Social Care reported in May 2019; developments identified to improve information governance and ongoing improvement in the Council's business continuity arrangements. For the latter action, it is noted that significant action was taken to mobilise critical services as part of the COVID-19 response in March 2020 and an ongoing review is being undertaken through 2020 to further strengthen arrangements across the Council. Updates on progress against each action are to be provided in the 2019/20 AGS which will be approved by November 2020 in line with statutory deadlines. This will also include other significant issues arising, particularly in relation to the COVID-19 response and recovery. (See 4.1).
- The Audit and Assurance Service has continued to contribute to anti-fraud and corruption activity and where appropriate worked in liaison with other services including the Counter Fraud and Enforcement team. The Service has co-ordinated work, in liaison with other services, in relation to the National Fraud Initiative (See 4.5).
- The Service continues to contribute to the review of information security and governance processes across the Council and development of action plans through its work. (See 4.7).
- There was some disruption to internal audit work in March 2020 due to the impact of COVID-19. This did result in some reviews not being finalised by the year-end. It should be noted, however, that based on findings to date from those reviews in progress that the overall opinion would not be expected to change from that provided. (See 3.6).

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2019/20 is provided in this report.

3. WORK PLANNED AND COMPLETED

- 3.1 Total time allocated to carry out the Operational Plan was originally set at 1000 days for 2019/20 (with an additional contingency of 75 days). This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a summary of work planned against completed with a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2019/20 Internal Audit Plan was 748. Details of planned work against actual are discussed further in Section 6.
- 3.2 It should be noted that in addition to the 748 actual days, additional time was taken for other activities that are not attributable to one particular category of work but support the audit process. In 2019/20, this included continued support to the Accounts and Audit Committee, liaison with the External Auditor, networking with other North West Internal Audit groups to share good practice, and liaison with services to gather information in support of the production of the audit plan.
- 3.3 Details of the internal audit reports issued are shown in Appendix C. Further detail in relation to audit reports issued between April and December 2019 are detailed in the update reports presented to CLT and the Accounts and Audit Committee in October 2019 and February 2020. Appendix A provides detail in relation to reports issued during the final quarter of 2019/20.

Analysis of Audit Opinions

- 3.4 For each audit report issued, one of five possible opinions is given. The five opinions are also denoted as Red/Amber/Green. The following table shows the number of final reports issued during 2019/20 for each opinion level.

LEVEL OF ASSURANCE	R/A/G STATUS	DESCRIPTION	NUMBER OF FINAL REPORTS ISSUED 2019/20
High Level of Assurance (Very Good)	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.	5
Medium / High (Good)	Green	Most business risks controlled effectively. However, there is need to improve controls in respect of a small number of high risk areas as well as for other risk areas.	12
Medium (Adequate)	Green	Most risk areas controlled effectively but control improvements required for some high risk areas as well as for other areas.	12
Low / Medium (Marginal)	Amber	Some business risks are controlled effectively. However, improvements are necessary to control a significant number of high risk areas.	1
Low (Unsatisfactory)	Red	Very high risk of fraud and error because a significant number of major business risks are not adequately controlled.	-
		TOTAL	30

3.5 As shown above, in respect of the 30 final audit reports issued during the year, Good or Very Good (Medium/High or High) Opinions were given for 17 of the 30 final reports (57%). Given an adequate (Medium) Opinion was given for a further 12 reviews, at least adequate or above (Green) levels of assurance were reported for 29 of the 30 reviews (97%) compared to 89% in 2018/19. Excluding schools from the analysis, 18 of the 19 opinion reports issued were “Green” i.e. 95% (compared to 88% in 2018/19). There was one review completed where a less than adequate “Low/Medium” opinion was given. It should be noted that whilst shown as “Green”, where opinions of Medium or Medium/High have been given, a number of control improvements to manage risks have been identified and it is important that associated recommendations are addressed.

- 3.6 A full listing of reports issued and associated audit opinions is given in Appendix C. It should be noted that the issue of certain reports to final stage have been delayed due to the impact of COVID-19 (reports shown in Appendix A as draft reports). At the time of reporting, based on draft findings issued to management, whilst a number of control improvements have been identified across the various reviews there are currently no reviews at draft stage expected to have an opinion below Medium (Adequate).

Other Assurance Provided Across the Council

- 3.7 A significant proportion of time spent does not result in the issue of formal internal audit reports. This is because the Audit and Assurance Service has contributed to a number of activities such as:
- Risk management (including facilitating the update of the Council's strategic risk register and contributing to the provision of Risk Management guidance).
 - Anti-fraud and corruption (including co-ordinating the Council's work in supporting the National Fraud Initiative),
 - Working in liaison with Legal and Democratic Services to provide support in the process for producing the 2018/19 AGS including an independent review of its content prior to its final completion plus assisting Legal and Democratic Services in planning the approach for the production of the 2019/20 AGS.
 - Where required, completing a number of checks as part of processes for certifying grant claims, reviewing performance data and other returns.
 - Providing guidance to schools. This included an update being provided via the weekly schools e-bulletin setting out examples of commonly made audit recommendations and also guidance was provided to schools in carrying out self-assessment of internal controls.
 - Providing other guidance and support (which included updating of the dedicated site on the intranet for the Audit and Assurance Service which provides information and guidance).

Stakeholders

- 3.8 The Audit and Assurance Service liaises and shares internal audit findings and reports with a wide group of stakeholders within the organisation including Executive Members, the Accounts and Audit Committee, Corporate Leadership Team, managers across the Authority and External Audit.

Part Two – Detailed Findings

4. **DETAILED ANALYSIS OF WORK COMPLETED**

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2019/20, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

4.1 **Governance**

- 4.1.1 The Audit and Assurance Service has a key role in providing assurance on the standards of governance and internal control in the Authority.
- 4.1.2 The requirement to produce an Annual Governance Statement (AGS) is set out in the Accounts and Audit Regulations (2015). Legal and Democratic Services co-ordinate the production of the Annual Governance Statement in liaison with Officers and Members as set out in the approach / timetable agreed by the Accounts and Audit Committee each year. In order to complete this, corporate governance arrangements are reviewed with reference to the CIPFA/SOLACE Framework for Corporate Governance in Local Government. This includes identifying sources of assurance to provide evidence that the Council's governance arrangements comply with the CIPFA/SOLACE framework. The framework consists of a set of principles covering issues such as ethics/values; stakeholder engagement; sustainable economic, social and environmental benefits; policies and procedures; capacity and training; management of risks and transparency/reporting arrangements.
- 4.1.3 Audit and Assurance continued to work with Legal and Democratic Services to provide advice on the process for producing the 2018/19 AGS and updating the Council's Corporate Governance Code. Audit also undertook a review of the content of an early version of the Draft AGS prepared by Legal and Democratic Services and provided advice regarding additions to the document. These were taken into account in producing the Draft AGS, which was completed in May 2019 and presented to the Accounts and Audit Committee at its June 2019 meeting, together with the updated Corporate Governance Code. Audit and Assurance has continued to liaise with Legal and Democratic Services to provide advice in planning for the preparation of the 2019/20 AGS.
- 4.1.4 The final approved 2018/19 AGS, issued in September 2019, included a number of significant governance issues highlighted for progression in 2019/20 including managing the Council's medium term financial position; risks associated with the EU exit; review of the One Trafford Partnership with Amey; improvement actions in response to the Ofsted review of Children's Social Care reported in May 2019; developments identified to improve information governance and ongoing improvement in the Council's business continuity arrangements. Updates on all significant issues will be included in the 2019/20 AGS. This will include consideration of the impact of COVID-19.
- 4.1.5 Audit and Assurance have continued to liaise during the year with Legal and Democratic Services to review guidance in respect of the declaration of gifts and hospitality by Trafford Council staff. Previously, a final internal audit report covering procedures for gifts and hospitality was issued in October 2018 which concluded that whilst procedures and guidance for staff to declare offers of

gifts and hospitality are in place, it was recommended that the content of the procedure and guidance within the Employee Code of Conduct is reviewed to ensure it is up to date and considers best practice. A follow-up audit was completed in November 2019 which confirmed that a number of developments had been made in enhancing existing procedures in respect of the declaration of gifts and hospitality. There were also plans for senior management to periodically review entries in the gifts and hospitality register to monitor activity / compliance.

4.2 **Risk Management**

- 4.2.1 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with CLT. This ensures that the Council formally identifies and monitors the key risks to the achievement of Council objectives.
- 4.2.2 Reports setting out the strategic risk register and key developments in the management of risks have been submitted to and reviewed by CLT through the year. The Accounts and Audit Committee were provided with updates in July and October 2019. Further to the cancellation of the March 2020 meeting, an update report will be provided to the next available meeting reflecting risks associated with the COVID-19 outbreak.
- 4.2.3 In addition to the impact of COVID-19, the other high risks in the strategic risk register by the year-end included risks in relation to safeguarding vulnerable children (reflecting the Ofsted review reported in May 2019); uncertainty regarding the Council's financial position; risks in relation to the impact of Brexit; and the performance of the One Trafford Partnership. The risk reports highlighted ongoing actions to manage the risks identified.
- 4.2.4 The need to strengthen Business Continuity and Disaster Recovery planning has been highlighted over recent years. Audit had previously completed an audit review of business continuity with a number of improvement actions identified in an agreed action plan. Audit has continued to liaise with relevant service areas through the year regards progress. To assist with developments, the Council commissioned the AGMA Civil Contingencies and Resilience Unit to undertake a review of the existing Business impact assessment and plans, to test the robustness of Business Continuity Management processes, develop organisational competencies and best practice. The review commenced in January 2020 but was delayed due to the COVID-19 crisis although significant developments have been made as part of the COVID-19 response as priority was given to mobilise business critical services to ensure effective business continuity. It is noted that work is resuming to progress the wider review of business continuity through 2020 to continue to improve existing arrangements. Progress made and future work planned will be reflected in the Council's Annual Governance Statement.
- 4.2.5 Risk management guidance on the Council's intranet site was further updated by the Audit and Assurance Service in October 2019.

4.3 **Fundamental Financial Systems**

4.3.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems. Details of progress made during the year for each planned review is set out below.

4.3.2 As listed in Appendix C, six final audit reports were issued during the year. These related to the following reviews with the respective Directorates and Audit Opinion shown:

Reported in the April to August 2019 Audit and Assurance update:

- Children's Social Care Payments System (Children's Services) - Medium
- Purchase Cards (Finance and Systems) - Medium

Reported in the September to December 2019 Audit and Assurance update:

- Council tax (Finance and Systems) - High
- Treasury Management (Finance and Systems) - High
- Accounts Payable (Finance and Systems) - Medium

Issued in Quarter 4 2019/20 (See appendix A for overall findings):

- Business Rates (Finance and Systems) - High

It should be noted that all reviews above where Medium Opinions were provided above will be subject to follow-up reviews in 2020/21.

4.3.3 By the year-end, four other reports were shared setting out draft findings for management to respond to with an agreed action plan. These were as follows:

- Direct Payments (Adult Services)
- Liquid Logic/ContrOCC – Adult Social Care Payments System (Adult Services)
- Direct Payments (Children's Services)
- Investment Strategy (Authority-wide)

Given the COVID-19 outbreak, work on finalising the above reports was delayed and it is intended that the final reports will be issued later in 2020. In addition some other reviews have been subject to delay.

4.3.4 In terms of other reviews planned to commence during the year:

- Housing Benefits and Council Tax Reduction (Finance and Systems) – Work was in progress at year- end and a final report was issued in April 2020 (which will be reported in the first Audit and Assurance update for 2020/21).
- Payroll (Place) – Work commenced by the year-end and a final report will be issued later in 2020.
- Budgetary Control (Finance and Systems/Authority-wide) – Work to be scheduled to resume later in 2020.
- Accounts Receivable / Debt Recovery (Finance and Systems) – Work to be scheduled to start later in 2020.

4.4 Schools

- 4.4.1 As part of the Schools Financial Value Standard (SFVS) designed by the Department for Education, schools are required to compile evidence to support adherence to the Standard on an annual basis (although it was noted that for 2019/20, there was no requirement to submit evidence to the DfE in light of the COVID-19 outbreak).
- 4.4.2 Areas covered in internal audit reviews reflect the requirements of the SFVS and include governance arrangements such as the role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; and information security and governance.
- 4.4.3 Within the Internal Audit Plan it was planned that at least 14 school audits would be completed in 2019/20. During the year, 11 final audit reports were issued (which included 2 follow-up audit reports). In addition to these, as at the end of March 2020, in respect of another school visited during the year, an initial draft report had been shared with the Headteacher and another school audit was in progress. The remaining school planned to be undertaken in March 2020 was postponed due to the ceasing of audit visits given the COVID-19 outbreak. In respect of the 11 final audit reports issued, 7 schools were provided an opinion of “Medium/High” and 4 with “Medium”. (See Appendix C).
- 4.4.4 During the year there was follow up by Audit in relation to a further 13 schools to confirm progress in implementing previous recommendations. Good progress in implementing recommendations is highlighted by the analysis regarding audit follow ups (See 5.7 to 5.11).
- 4.4.5 Audit and Assurance continued to liaise with Financial Management and Children’s Services to assist in following up issues raised at particular schools, ongoing audit planning and, where applicable, to provide advice to schools.

4.5 Anti-Fraud and Corruption

- 4.5.1 Audit work in this area relates to undertaking investigative work and reviewing measures in place to reduce the risk of fraud and corruption. This work forms an important part of the Council’s approach to ensuring high standards of conduct are in place.

National Fraud Initiative

- 4.5.2 The Audit and Assurance Service continued to co-ordinate the Council’s participation in the National Fraud Initiative (NFI), a nationwide data matching exercise designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse.
- 4.5.3 The Service originally co-ordinated the submission of Council data to the NFI team (Cabinet Office) in October 2018 and the subsequent matches were received in January 2019. Since

then the Service has liaised with other services including the Council's Fraud and Enforcement team to follow up data matches.

- 4.5.4 An update on the outcome from the exercise was included as part of the Audit and Assurance update presented to the Accounts and Audit Committee in February 2020. For the matches followed up since the exercise commenced in January 2019, as at May 18th 2020, a total of 3361 matches had been reviewed, with the identification and correction of 277 errors totalling £14,897, of which £14,312 is in the process of recovery.
- 4.5.5 In terms of further work going forward, a new exercise will commence later in 2020 with the submission of further data to the Cabinet Office in October 2020 for subsequent data matching. This is expected to include matching of data in relation to grant payments made to businesses as a result of national schemes introduced following the COVID-19 pandemic.

Other Investigative Work

- 4.5.6 Some concerns had been raised at the end of the previous year in relation to financial administration within certain service areas. No specific allegations of fraud had been made but Audit covered these areas as part of audit review work. No evidence of fraud or irregularity was found as a result of these audit visits, although recommendations for improvements to internal controls were made where appropriate.

Policies

- 4.5.7 During 2019/20, Audit continued to liaise with Legal Services to review aspects of existing anti-fraud related policies and procedures and provide advice in respect of possible updates to existing procedures.

4.6 Procurement / Contracts

- 4.6.1 Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money and undertakes procurement in accordance with relevant legislation and the Contract Procedure Rules.
- 4.6.2 As part of internal audit planning, the Service continues to liaise with the STAR Shared Procurement Service and Internal Audit sections of the partner authorities (Stockport, Rochdale and Tameside Councils). Audit plans were co-ordinated and relevant findings from work shared to ensure an efficient audit process.
- 4.6.3 Listed below are the audits completed, including the lead Authority within STAR for completing the audit and also the opinion level given (It should be noted that Rochdale and Stockport utilise different sets of opinion levels so in each case the equivalent level at Trafford is shown and there is further explanation in Appendix C). Details of overall findings were included in the respective update reports for CLT and the Accounts and Audit Committee, and for reports issued in the final quarter, a summary of findings is shown in Appendix A:

Reported in the April to August 2019 Audit and Assurance update:

- STAR Procurement Service: Performance Management (STAR Authorities – Stockport lead) – Medium/High.
- STAR : Chest Procurement Portal follow-up audit (STAR Authorities – Rochdale lead) – Medium.

Reported in the September to December 2019 Audit and Assurance update:

- STAR: Contracts Register follow-up audit (STAR Authorities – Rochdale lead) – High.

Issued in Quarter 4 2019/20 (See Appendix A for overall findings):

- STAR: New vendor requests (STAR Authorities – Rochdale lead) – Medium.

An audit was planned to commence towards the end of 2019/20, covering Social Value in procurement (in accordance with the Public Services Social Value Act 2012), incorporating monitoring in place across contracts within the authorities. This review commenced during the first quarter of 2020/21 and when issued the final report will be reflected in the next Audit and Assurance update for 2020/21 (STAR Authorities – Trafford lead).

- 4.6.4 Audit also liaised, both with Human Resources and STAR, to arrange for an e-learning module covering training on the Council's Contract Procedure Rules to be rolled out to all budget holders.
- 4.6.5 In early 2019/20, Audit and Assurance continued to provide input to the Authority's contract monitoring of the One Trafford Partnership between the Council and Amey in respect of the monitoring of performance indicators. Work involved supporting management in validating supporting data and providing advice in respect of the processes supporting the monitoring of some key performance indicators.
- 4.6.6 Consideration of procurement / contracts aspects is also included in other categories of audit work including financial systems (per 4.3), schools (per 4.4) and Other Business Risks (4.8). Further planned work in relation to procurement/contracts is reflected in the 2020/21 Internal Audit Plan

4.7 ICT Audit / Information Governance

- 4.7.1 Audit work was undertaken to cover a range of issues in relation to IT procedures, processes and controls. IT Cyber Security, Business Continuity / Disaster Recovery and Information Governance continue to be identified as significant risks to the authority as reported through the Strategic Risk Register updates. The Audit & Assurance Service commissions Salford Internal Audit Services to undertake some of this work who provide specialist IT Audit Services for a number of authorities. Work was also undertaken in respect of wider information governance issues. The annual work plan for 2019/20 included work described below.
- 4.7.2 An internal audit review was completed of the i-Trent payroll software application used by the Greater Manchester Shared Service (GMSS). The report concluded that, in general, systems

and procedures are effective in minimising risk but to further enhance the control environment, a small number of recommendations were made, mainly in relation to improving IT access control management.

- 4.7.3 An audit report was previously issued in January 2018 of the Council's IT software licensing arrangements. It was noted at the time that a number of the recommendations made in the audit report related to controls that would be improved through the implementation of a software asset management system. A follow-up audit review was completed in September 2019 and acknowledged that some progress had been made. A software asset management tool has since been procured (SNOW) and installed on the network, and initial work undertaken to review Microsoft product license usage against the terms and conditions. However, further work is still required to fully implement use of the system such as in respect of agreeing policies, updating the software management system and monitoring software usage for compliance with licensing agreements. Given the actions still required the level of assurance provided was "Low/Medium". Further progress made will be reviewed as part of internal audit work in 2020/21.
- 4.7.4 An audit report was previously issued in January 2018 following an audit of the IT Service desk. A follow up audit review was completed in September 2019 which found that, overall, effective systems and procedures were in place for the IT Service desk to provide support across the Council. A small number of recommendations were made to enhance existing arrangements in relation to performance measurement and monitoring. It was agreed that actions to address the issues raised were being taken into account as part of changes to the IT staffing structure and recruitment during the year. In terms of future related internal audit work, this will include aspects of IT Service management against best practice standards. An ICT Service Management review has been rescheduled to 2020/21 which will follow, where applicable, the ITIL framework - a detailed set of practices for IT service management that focuses on aligning IT services with the needs of business.
- 4.7.5 As one of the Council's strategic risks, an audit was undertaken of cyber security arrangements, primarily based on the National Institute of Standards and Technology (NIST) Cyber Security framework. A report setting out draft findings was shared with ICT management for consideration and comments. Whilst the review findings highlight that most key risks are being managed, further developments are required, particularly in relation to business continuity and disaster recovery (Also see 4.2.4). A final report, with action plan is expected to be issued later in 2020.
- 4.7.6 An audit was also undertaken to review the effectiveness of arrangements in place for responding to IT incidents to ensure disruptions are adequately responded to and addressed. A report setting out draft findings was shared with ICT management for consideration and comments. A final report, with action plan is expected to be issued later in 2020.
- 4.7.7 In respect of information governance, a report was issued in June 2019 confirming the findings from an independent assessment by Audit and Assurance which verified the details provided in the Council's annual submission for the NHS Data Protection and Security

Toolkit for 2018/19. This submission is mandatory for organisations to complete to access NHS data and systems. The deadline for the 2019/20 submission has been extended until Sept 2020, and Internal Audit will continue to monitor compliance and any outstanding actions in this area.

- 4.7.8 Two other audit reviews relating to information governance were originally due to commence in the final quarter of 2019/20 but have been rescheduled to 2020/21:
- A follow-up audit review was planned in relation to the Council's processes for managing the risks of data breaches, taking into account the requirements of the General Data Protection Regulations (GDPR). Whilst initial planning took place, this review will be undertaken in 2020/21.
 - An audit review was planned of procedures in relation to dealing with Subject Access Requests (SARs), ensuring the requirements of GDPR are being met. It was agreed with the relevant service area that this review would be delayed as procedures were currently subject to review, including consideration of a new system.

4.8 **Other Business Risks**

- 4.8.1 This comprises various work that does not fall into one of the categories referred to above but represents areas of business risk. This includes reviews of specific services and establishments within individual Directorates. Risks reviewed encompassed a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing, income collection and recording and other areas of risk specific to the service under review.
- 4.8.2 There were 4 final audit reports issued in this category with at least Medium (Adequate) or above audit opinions given for these audits. Listed below are the audits completed with the respective Directorate and also opinion level given. Details of overall findings were included in the respective update reports for CLT and the Accounts and Audit Committee, and for the relevant report issued in the final quarter, a summary of findings is shown in Appendix A.

Final Reports issued:

Reported in the April to August 2019 Audit and Assurance update:

- Statutory Homelessness Services (Place) - High

Reported in September to December 2019 Audit and Assurance update:

- Licensing (Place) - Medium
- Music Service (People) - Medium

Issued in Quarter 4 2019/20 (See Appendix A for overall findings):

- Planning and Development (Place) – Medium/High

- 4.8.3 There were three other audits at various stages by the year-end with final reports expected to be issued later in 2020:
- Altrincham Library (Governance and Community Strategy)
 - Flixton House (Governance and Community Strategy)
 - Tree Unit (Place)
- 4.8.4 During the year a number of audits completed in the previous year were followed up with assurance provided by managers as to progress made with the implementation of recommendations. Findings were reflected in Audit and Assurance updates through the year covering April to December 2019 and follow ups for January to March 2020 are reflected in Appendix A. (Also see Section 5.7 to 5.11 covering overall outcomes from follow-up work).
- 4.8.5 As detailed in the 2020/21 Internal Audit Plan issued in March 2020, in agreement with respective Directorates, some reviews have been rescheduled from commencing in 2019/20 to be included in the 2020/21 Plan. These are as follows:
- Aids and Adaptations (Adult Services)
 - Recruitment Processes (People)
 - Strategic Growth Team (Place)
 - Sale Waterside Arts Centre (Governance and Community Strategy)
 - Out of Borough Education Placements (Children's Services)
 - Home to School Transport (Children's Services)

(It should be noted, however, that there are likely to be further amendments to the 2020/21 Plan in light of the COVID-19 pandemic and timing of some of the above audits will be subject to further review).

4.9 Grant Claims /Data Quality

- 4.9.1 Audit has been required to carry out checks to support information contained in some grant claims made during the year in line with national requirements in relation to funding received. In each case, based on the checks undertaken, adequate assurance was obtained to support the claims made.
- 4.9.2 During 2019/20, work included internal audit checks of the following:
- Additional Highways Maintenance Grant 2018/19 (completed August 2019)
 - Disabled Facilities Grant 2018/19 (completed October 2019).
- 4.9.3 In addition, Audit has continued to review systems in relation to the national MHCLG "Troubled Families" programme. A report was issued providing a Medium level of assurance (as listed in Appendix C). As well as management, the report was provided to GMCA who are responsible for co-ordinating GM internal audit assurance obtained for this programme.

4.10 Service advice / Projects

- 4.10.1 Advice was provided through the year across the Council on governance and control issues and this is also reflected elsewhere in earlier sections of this report e.g. re financial systems, schools audit, risk management, governance etc.
- 4.10.2 Audit was asked to provide some support to work in relation to the Boundary Commission Electoral Review of Trafford Council. Whilst by the year-end the review was delayed due to the COVID-19 pandemic, further time will be allocated to support this as required when the work resumes later in 2020.
- 4.10.3 Towards the end of March 2020, plans were being made for Audit to provide support to the Council in relation to the COVID-19 response regarding payments of business rates grants. Further details will be reflected in Audit updates in 2020/21.
- 4.10.4 The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption. This has been updated during the year.
- 4.10.5 Audit continued to provide support to the Accounts and Audit Committee during the year and issued a number of reports through the year as detailed in the 2019/20 Accounts and Audit Committee Annual Report.

5. MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK

- 5.1 This section sets out the response to, and impact of, internal audit work during the year. Key indicators of Audit and Assurance's impact are :
- Acceptance of recommendations
 - Implementation of them.
- 5.2 Recommendations issued by the Audit and Assurance Service had one of three priority levels as follows:

Priority 1 These are recommendations considered by Internal Audit to be essential to address a high risk in order to maintain a minimum acceptable level of assurance. Priority should be given to addressing these recommendations as soon as possible.

Priority 2 These are recommendations considered necessary to address a moderate risk in order to improve internal control. Action to implement these should be agreed with planned dates shown in the action plan but it is taken into account that Priority 1 recommendations would take priority.

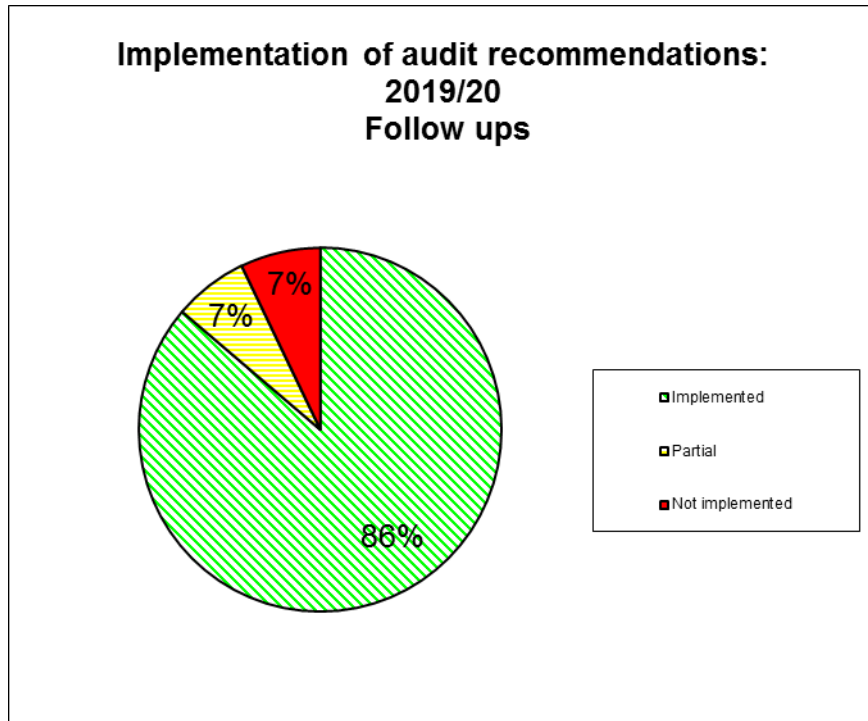
Priority 3 These are recommendations to either address a low risk or provide guidance or advice to further enhance existing practice.

Acceptance of Recommendations

- 5.3 Most audit recommendations made during the year were accepted by management. Of the 92 Priority 1 recommendations made, 91 were accepted i.e. 99%. (Of these 54 recommendations related to school audits which were all accepted).
- 5.4 The acceptance rate for priority 2 or 3 recommendations was also 99% (132 out of 133 recommendations). Of these, 92 recommendations related to school audits with 1 recommendation not agreed and 41 recommendations relating to all other audits with all recommendations agreed.
- 5.5 Therefore, overall, 99% of all recommendations were accepted (98% in 2018/19). The service target is currently set at 95%.
- 5.6 It should be noted that there were a number of other recommendations made during the year reflected in draft reports produced by the end of March 2020 and details regarding acceptance of these will be reflected in Audit and Assurance updates in 2020/21.

Implementation of audit recommendations

- 5.7 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. This may be either through a further audit review or through manager self- assessment.
- 5.8 Details of individual follow up reviews for the first three quarters of the year are set out in the respective Audit and Assurance update reports issued through the year. Details of individual follow-ups for the final quarter of 2019/20 are included in Appendix A together with details of the acceptance rate for recommendations in that quarter.
- 5.9 For all follow up work undertaken, an analysis of the percentage of recommendations implemented at the time of the respective follow up reviews is shown in the following chart.



5.10 From the reviews undertaken, of a total of 378 recommendations followed-up during 2019/20, it was reported that 326 (86%) had been implemented at the time of the follow up audit reviews (compared to 56% of a total of 260 recommendations followed up in 2018/19). A further 25 (7%) have been partially implemented / in progress (36% reported in the previous year). 27 recommendations (7%) have not been implemented (compared to 8% in the previous year).

5.11 It should be noted that of the above 378 recommendations analysed above, these relate to the following in terms of recommendations excluding schools and recommendations specific to school audits.

Recommendations Followed Up Excluding Schools		Recommendations followed up- School Audits	
Total Number	48*	Total Number	330
Recommendations Implemented or no longer applicable	69%	Recommendations Implemented or no longer applicable	89%
Recommendations Implemented in part/in progress	6%	Recommendations Implemented in part/in progress	7%
Recommendations not implemented	25%	Recommendations not implemented	4%

There are a number of other follow-up audit reviews (non-schools work) which were in progress by year-end as draft reports but completion had to be delayed until later in 2020 so are not reflected in the figures. These will be reported as part of further updates in 2020/21.

Progress in implementing recommendations is taken into account to inform future audit planning and where appropriate further follow-up work is undertaken.

In Appendices A and C, * denotes against the Audit opinion that the review is specifically a follow up audit. Where appropriate, revised opinions were given after each follow-up review had been completed.

Client feedback

- 5.12 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management. For 2019/20, whilst the responses received were favourable, there is limited information available from this source. From 2019/20 work completed, only 5 survey responses were received (compared to 11 in the previous year) which all provided an overall rating of "Very Good" against the Audit (Based on 5 possible levels from "Poor" to "Very Good"). There were a number of audits completed towards the year end or at draft stage by the end of March 2020 where responses had yet to be obtained. It is expected that responses will be further requested for reports reaching final stage in 2020/21.
- 5.13 The analyses of recommendations, follow-ups and client responses continues to demonstrate an overall positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

6. PERFORMANCE AGAINST AUDIT PLAN

- 6.1 Actual time spent delivering the Plan was 748 days (74.8% of the chargeable planned target of 1000 allocated days). An analysis of planned operational audit time against actual days spent in 2019/20 is shown in Appendix B. Within each category, there are some variations between planned and actual days and where applicable this was taken into account in planning allocated time within the 2020/21 Internal Audit Plan.
- 6.2 The overall difference between planned days and total days spent is largely accounted for by staffing changes during the year. One of the audit staff was on secondment during 2019 until their departure from the team in November 2019. Two other staff left the Authority in July 2019 and two new staff joined the team in October 2019 and February 2020 respectively. Available resources were considered through the year to ensure account was taken of priorities, including in relation to statutory duties, specific deadlines and risk areas to follow up from previous years e.g. in relation to the certification of grant claims, input to the Annual Governance Statement, National Fraud initiative work, follow-up audits etc. In addition, a number of reviews were rescheduled in agreement with relevant services to 2020/21. These included reviews rescheduled at the request of services and others rescheduled due to disruption in March 2020.
- 6.3 In the 2019/20 Internal Audit Plan, a target was set of 38 audit opinion reports to be issued to either final or draft stage. There were 26 final audit opinion reports issued and 8 initial draft versions of reports shared with management by the end of March 2020, totalling 34 reports. (There were also 4 other final audit opinion reports issued in relation to the STAR Procurement Service by partner authorities).

- 6.4 There was significant disruption to the progress of some reviews in March 2020 due to the COVID-19 pandemic and a number of reviews were not progressed as originally planned at that time, particularly in relation to finalising draft reports as referred to in 6.3.
- 6.5 Appendix C shows an analysis of audit opinion reports issued during the year. It also highlights any work in progress or scheduled for 2020/21. The 2020/21 Internal Audit Plan reported to CLT and shared with Accounts and Audit Committee Members in March 2020 took account of reviews to be carried forward from 2019/20. It should be noted that some reviews will be rescheduled further due to the COVID-19 pandemic, which will be reflected in future Audit and Assurance updates.

7. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 7.1 It is a requirement that the Annual Head of Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS).
- 7.2. The Standards incorporate a number of aspects including:
- Ethics (incorporating integrity, independence, objectivity, confidentiality and competency).
 - Purpose, authority and responsibility of Internal Audit.
 - Standards (including planning, undertaking and managing audit assignments, monitoring, communication, due professional care, quality assurance and improvement).
- 7.3 In terms of actions previously identified at the end of 2018/19, to ensure continued conformance with PSIAS the following was completed (The relevant PSIAS reference is shown in brackets):
- To ensure adequate audit staffing capacity following the departure of audit staff in early 2019/20, a recruitment exercise was undertaken which resulted in staffing appointments being made in October 2019 and February 2020. (PSIAS 2030 – Resource Management).
 - Declaration forms completed by staff to confirm independence, any potential conflicts of interest and understanding of relevant audit standards were updated to reflect the updated guidance on audit standards (Local Government Application Note) issued by CIPFA in 2019. (PSIAS Core Principles – Demonstrating Integrity).
 - Updates to the Audit Manual completed, with the document also available for new staff as part of induction processes (PSIAS 2040 – Policies and Procedures).
- 7.4 Following a self-assessment against PSIAS undertaken at the end of 2019/20, actions planned to be undertaken through 2020/21 to ensure there continues to be adequate conformance include the following:
- A review will be undertaken during 2020/21 of existing Internal Audit Opinion Levels used to provide opinions on individual audit reviews. This will be to consider guidance issued by CIPFA in April 2020. Any agreed changes will be implemented to come into effect from 2021/22. (PSIAS 2450 – Overall Opinion).

- Further to last being updated in March 2019, The Internal Audit Charter and Strategy will be reviewed and updated by March 2021 to reflect any service and corporate developments. (PSIAS 1000 – Purpose, Authority and Responsibility).
- Review and update of the Service’s Code of Ethics, Values and Conduct to be updated to reflect corporate developments e.g. appraisal processes, agile working etc. (PSIAS – Code of Ethics).
- The Audit Manual will be further reviewed and updated in 2020/21 where applicable to include reflecting the above changes (PSIAS 2040 – Policies and Procedures)

7.5 In accordance with its Quality Assurance and Improvement Programme, the Service continued to report on its work through the year to both CLT and the Accounts and Audit Committee which included both updates on progress against the 2019/20 Plan; the impact of audit work; client feedback and the Internal Audit Plan for 2020/21.

INTERNAL AUDIT REPORTS ISSUED IN QUARTER 4 2019/20

Points of Information

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	Green (G)
Medium / High – Good	Green (G)
Medium – Adequate	Green (G)
Low / Medium - Marginal	Amber (A)
Low – Unsatisfactory	Red (R)

*Indicates this is a revised opinion given following a review of progress made in implementing recommendations made in the previous audit review. This opinion is based only on the areas tested and assumes the controls reviewed as part of the previous audit, that were not covered as part of this follow up audit, have been maintained.

Report Status:

Draft reports:

are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:

incorporate management comments and responses to audit recommendations, including planned improvement actions. **An opinion** is stated in each audit report / assessment to assess the standard of the control environment.

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation’s governance and control environment it relates to. Levels are as follows:

- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3 : Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2 : Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1 : Establishment / function specific** - Area under review relates to a single area within the council such as an individual establishment.

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1- 4)	-OPINION -R/A/G -Date Issued	COMMENTS
<u>FINAL REPORTS</u>		
<u>Level 4 Reports:</u>		
Business Rates (Finance and Systems) / (Finance and Investment)	High GREEN (13/1/20)	Based on the controls reviewed, a high level of assurance has been maintained with a good level of control found to be in place, with no recommendations made in this review.
New Vendor Additions / Reinstatements (Finance and Systems) / (Finance and Investment)	Adequate ** GREEN (18/3/20)	The audit was completed by Rochdale Council Internal Audit on behalf of Stockport, Trafford, Tameside and Rochdale Councils as part of arrangements for the STAR Shared Procurement Service. The review concluded that, overall, requests for new or reinstated vendors are processed effectively by STAR, who complete relevant checks of vendors and communicate back to the requesting Authority in a timely manner for subsequent setting up on the finance system. There is some potential for streamlining the process in terms of the use of standard electronic forms etc.
<u>Level 2 Reports:</u>		
Planning and Development (Place) / (Housing and Regeneration)	Medium/High GREEN (20/3/20)	The majority of areas covered in the review were operating effectively and minimising potential business risks. At the time of the audit, the areas with scope for improvement are in continuing to reduce a minor backlog of dealing with planning applications and also to ensure that effective and timely enforcement action is taken towards any alleged breaches of planning control.
<u>Level 1 Reports:</u>		
St. Mary's CE Primary School, Davyhulme (Children's Services) / (Education).	Medium/High GREEN (19/3/20)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. The main recommendation made related to the longer-term budgetary position of the school and continuing the pro-active work to mitigate a potential future deficit budget.
Egerton High School (Children's Services) / (Education)	Medium/High GREEN (31/3/20)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including the need to have a documented procedure for the use of debit cards, including authorisation, spend limits and security.

REPORTS AT DRAFT STAGE		As at 31/3/2020, for all of the reports listed below, initial findings reports were produced and were at various stages in terms of finalising the reports. Details of the respective final reports, including the audit opinion, will be included in future Audit and Assurance update reports. (Note at the time of this report no opinions for draft reports below were expected to be less than a Medium level).
Level 4 Reports:		
Cyber Security (Finance and Systems/Authority-Wide) / (Public Safety, Governance and Reform)		An initial draft findings report was shared with management in ICT by the year-end with a view to a final report being issued later in 2020.
ICT Incident Management (Finance and Systems) / (Public Safety, Governance and Reform)		An initial draft findings report was shared with management in ICT by the year-end with a view to a final report being issued later in 2020.
Investment Strategy (Finance and Systems) / (Finance and Investment)		An initial draft findings report was shared with management by the year-end with a view to a final report being issued later in 2020.
Level 3 Reports:		
Adults Social Care Payments (Adult Services) / (Adult Social Care)	*	An initial draft findings report was shared with management for comments with a view to a final report being issued later in 2020.
Direct Payments (Adult Services) / (Adult Social Care)	*	An initial draft findings report was shared with management for comments with a view to a final report being issued later in 2020.
Direct Payments (Children's Services) / (Children's Services)	*	An initial draft findings report was shared with management for comments with a view to a final report being issued later in 2020.
Level 1 Reports:		
Altrincham Library (Governance and Community Strategy) / (Leisure and Culture)		An initial draft findings report was shared with management for comments with a view to a final report being issued later in 2020.
Highfield Primary School (Children's Services) / (Education)		An initial draft findings report was shared with the Headteacher by the year-end for comments with a view to a final report being issued later in 2020.
<i>*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal</i>		

audit review.

***This review provided an "Adequate Opinion" which is considered equivalent to an opinion of "Medium" per the Trafford Council framework and the opinion is therefore shown as "Green"*

Quarter 4 2019/20

Acceptance of Recommendations

From the final audit opinion reports issued during the quarter (as listed above) all 21 recommendations made were accepted.

Follow up - Implementation of Recommendations

In respect of five other audits previously completed, during the quarter, managers were requested to provide an update on progress in implementing recommendations made. Details are as follows:

- Environmental Health (Place) / (Public Safety, Governance and Reform) - All 4 recommendations previously agreed had been implemented.
- Trafford Alternative Education (Children's Services / Education) - All 24 recommendations previously agreed had been implemented.
- Willows Primary School (Children's Services / Education) - All 10 recommendations previously agreed had been implemented.
- Navigation Primary School (Children's Services/Education) - All 9 recommendations previously agreed had been implemented.
- Flixton Primary School (Children's Services / Education). Of the 20 recommendations previously agreed, 16 recommendations were implemented, 2 were in progress and 2 still to be addressed.

APPENDIX B

2019/20 Operational Plan: Planned Work and Actual Days Spent

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2019/20</u>	<u>Actual Days 2019/20</u>
Fundamental Financial Systems	<p>Completion of fundamental financial systems reviews</p> <p>See Section 4.3 for work completed and Appendix C for audit opinion reports issued and planned.</p>	180	199
Governance	<p>Corporate Governance / AGS - to provide support and advice to Legal and Democratic Services. Complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Gifts and hospitality follow-up audit review.</p> <p>Advice / assurance in respect of governance issues.</p> <p>See Section 4.1 for description of work completed and Appendix C for audit opinion report issued.</p>	25	13
Corporate Risk Management	<p>Facilitating the updating of the Council's strategic risk register.</p> <p>Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.</p> <p>Follow-up audit of business continuity management arrangements.</p> <p>See Section 4.2 for work completed and planned.</p>	30	21
Anti-Fraud and Corruption	<p>The Service will continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure the Council provides data in accordance with the requirements of the NFI 2018/19 exercise.</p>	80	54

	<p>Investigation of referred cases of suspected theft, fraud or corruption.</p> <p>Other work to support the Anti-Fraud and Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.</p> <p>See Section 4.5 for work completed.</p>		
Procurement / Contracts/ Value for money	<p>Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).</p> <p>See Section 4.6 for work completed and Appendix C for opinion reports issued and planned.</p>	80	34
ICT / Information Governance	<p>Completion of ICT Audit reviews.</p> <p>Completion of Information Governance audit reviews</p> <p>Other advice and ad hoc review work in relation to the above areas.</p> <p>See Section 4.7 for work completed and Appendix C for audit opinion reports issued and planned.</p>	90	69
Schools	<p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard (SFVS).</p> <p>Audit reviews of schools – at least 14 school audit to be completed during the year.</p> <p>See Section 4.4 for work completed and Appendix C for audit opinion reports issued and planned.</p>	180	162
Assurance – Other Business Risks	<p>Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes:</p> <ul style="list-style-type: none"> - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. <p>See Section 4.8 for work completed and Appendix</p>	235	123

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	C for audit opinion reports issued and planned.		
Grant claims checks / Data Quality	Internal audit checks of grant claims / statutory returns and other data quality checks as required: See Section 4.9 for Grant checks completed and Appendix C for audit opinion report issued.	30	20
Service Advice / Projects	General advice and guidance, both corporately and across individual service areas. Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues. See Section 4.10 for work completed.	70	53
TOTAL		1000*	748

* Note there was a further contingency of 75 days within the 2019/20 Plan.

(Governance and Community Strategy/Authority-wide)			
Risk Management - Business Continuity Management follow-up audit (Authority-wide)	Corporate Review / Actions progressed as part of COVID-19 response.	-	Update to be provided through the Strategic Risk Register and Annual Governance Statement as a significant governance issue.
Procurement /Contracts /Value for money - STAR Performance management (STAR Authorities – Stockport lead) (Finance and Systems)	Final report issued 15/8/19	Moderate***	Completed
- Social Value in Procurement (STAR authorities – Trafford lead) (Finance and Systems)	Initial planning commenced	-	Final report to be issued later in 2020
- New vendor requests (STAR Authorities – Rochdale lead) (Finance and Systems)	Final report issued 18/3/20	Adequate**	Completed
- Contract Procedure Rules follow-up audit – Stockport lead)	Update obtained	N/A	Further work to be considered as part of 2020/21 audit planning
-Chest Procurement Portal (further follow up audit) (STAR Authorities – Rochdale lead) (Finance and Systems)	Further follow-up final report issued 4/7/19	Adequate**	Completed
-Contracts Register follow up audit (STAR Authorities – Rochdale lead) (Finance and Systems)	Final report issued 6/11/19	Substantial****	Completed
- One Trafford Partnership – contract monitoring (Place)	Performance indicator validation checks (Q1 2019/20).	-	Further work to be considered as part of 2020/21 audit planning
- Commissioning of children’s external residential placements (Children’s Services).	Initial coverage included as part of separate Budgetary Control audit.	-	Further work to be agreed as part of 2020/21 audit planning.
Information Governance / ICT Audit - Cyber Security (Finance and Systems)	Initial draft findings report shared with management. Final report issued 14/8/19	-	Final report to be issued later in 2020
- HR/Payroll IT system follow-up audit (People / Finance and Systems)		Medium/High	Completed.
- IT Service Management (Finance and Systems)	Initial planning commenced	-	Final report to be issued in 2020/21
- IT Service desk follow-up (Finance and Systems)	Final report issued 26/9/19	Medium/High*	Completed
- Software Licensing - follow up (Finance and Systems)	Final report issued 26/9/19	Low/Medium	Completed (to follow up in 2020/21)
-Other IT Audit reviews added to the 2019/20 Internal			

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Audit Plan: Incident Management audit review	Initial draft findings report shared with management.	-	Final report to be issued later in 2020
Revenues and Benefits Systems IT applications audit review (Finance and Systems)	Initial planning commenced	-	Final report to be issued later in 2020
NHS Data Security and Protection Toolkit (Finance and Systems)	Update report produced	N/A	Completed
- Subject Access Requests (Governance and Community Strategy / Authority-Wide)	-	-	Timing to be agreed later in 2020/21
- Data breaches follow-up audit (Governance and Community Strategy/Authority-Wide)	Initial planning commenced	-	Audit to be undertaken in 2020/21
Schools 14 Opinion Reports to be issued as per below (Education):			
- Delamere School	Final report issued 8/5/19	Medium/High	Completed
- English Martyrs' RC Primary School (follow-up audit visit)	Final report issued 17/6/19	Medium/High*	Completed
- Stretford High School	Final report issued 10/7/19	Medium/High	Completed
- Heyes Lane Primary School	Final report issued 10/5/19	Medium	Completed.
- St Hugh of Lincoln RC Primary School	Final report issued 4/9/19	Medium	Completed
- St. Matthew's CE Primary School.	Final report issued 8/10/19	Medium	Completed
- Worthington Primary School	Final report issued 28/10/19	Medium/High	Completed
- Kings Road Primary School	Final report issued 28/10/19	Medium	Completed
- The Firs Primary School (follow-up audit)	Final report issued 10/12/19	Medium/High*	Completed
- Highfield Primary School	Initial draft findings report shared with management	-	Final report to be issued later in 2020
- Egerton High School	Final report issued 31/3/20	Medium/High	Completed
- St. Mary's C of E Primary School (Davyhulme)	Final report issued 19/3/20	Medium/High	Completed
- St. Vincent's Catholic Primary School	In progress	-	Final report to be issued later in 2020
- Gorse Hill Primary School	Postponed (start date originally March 2020)	-	Rescheduled to 2020/21 (timing to be agreed).
Assurance – Other Business Risks			
- Licensing (Place)	Final report issued 30/10/19	Medium	Completed
- Statutory Homelessness Services (Place)	Final report issued 15/7/19	High	Completed

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- Section 17 Payments (Children's Services)	Coverage to be included in other review work.	-	N/A
- Planning and Development (Place)	Final report issued 20/3/20	Medium/High	Completed
- Strategic Growth Team (Place)	-	-	Delayed in agreement with Service to 2020/21
- Tree Unit (Place)	In progress	-	Final report to be issued later in 2020
- Altrincham Library (Governance and Community Strategy)	Initial draft findings report shared with management	-	Final report to be issued later in 2020
- Sale Waterside Arts Centre (Governance and Community Strategy)	Initial planning undertaken	-	Review delayed and to be undertaken later in 2020/21.
- Flixton House (Governance and Community Strategy)	In progress	-	Final report to be issued later in 2020.
- Music Service (People)	Final report issued 11/10/19	Medium	Completed.
- Recruitment Processes (People)	-	-	Timing to be agreed later in 2020/21
- Out of Borough Education Placements (Children's Services)	-	-	Timing to be agreed later in 2020/21
- Home to School Transport (Children's Services)	-	-	Timing to be agreed later in 2020/21
- Aids and Adaptations (Adult Services)	Initial work completed October 2019 re Disabled Facilities Grant.	-	Follow-up audit to be arranged for 2020/21.
Data Quality			
- Troubled Families Programme (Children's Services)	Final report issued 29/11/19	Medium	Completed

*Follow up review

** Audit completed by Rochdale Council. "Adequate" Opinion provided which is considered equivalent to an opinion of "Medium" per the Trafford Council framework and the opinion is therefore shown as "Green".

*** Audit completed by Stockport Council. "Moderate" Opinion provided which is considered equivalent to an opinion of "Medium/High" per the Trafford Council framework and the opinion is therefore shown as "Green".

**** Audit completed by Rochdale Council. "Substantial" Opinion provided which is considered equivalent to an opinion of "High" per the Trafford Council framework and is therefore shown as "Green".

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 15 July 2020
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service – Internal Audit Operational Plan 2020/21

Summary

This report was shared with Accounts and Audit Committee Members in March 2020, following the cancellation of the Accounts and Audit Committee meeting due to the COVID-19 pandemic. The purpose of the report is to provide, at a high level, the Internal Audit Operational Plan for 2020/21. The report also contains the Internal Audit Charter and Strategy, previously approved by the Accounts and Audit Committee in March 2019.

Given events since March 2020, the details in the Internal Audit Plan are subject to ongoing revision. In particular, between April and July 2020, the Internal Audit function has provided various support as part of the Council's COVID-19 response. This has included working with Exchequer Services in relation to support in administering the payment of business rates grants through April/May 2020. Audit has also been working with the Strategic Growth team since June 2020 providing input to the process of administering the payment of Discretionary Grants to businesses. This has included providing advice and input to measures to reduce the risk of error and fraud in the process.

Where possible, Audit has also continued with existing planned work but this has been subject to considerable disruption. There have been delays to finalising some reviews in progress by the end of 2019/20, whilst other reviews have been delayed due to emerging commitments and priorities of services across the Council in responding to the pandemic.

There will be a number of changes to planned work, both due to the work already completed as part of the COVID-19 response; and expected revisions to future planned work including the addition and postponement of some reviews.

Internal audit work, where applicable, is taking into account consideration of the impact of COVID-19. This includes both individual audit reviews in addition to support to corporate processes such as the Strategic Risk Register and contribution to the National Fraud initiative. The next main National Fraud Initiative exercise later in 2020/21 is expected to include the Council's response to COVID-19 in relation to grant

Payments.

The next Audit and Assurance update (for the period April to August 2020) will set out work completed during the period, including any support provided as part of the COVID-19 response. This will also provide initial indication as to review work expected to remain in the current year plan, reviews added to the plan and audits expected to be postponed and considered as part of future audit planning.

In continuing to undertake internal audit work through 2020/21, Internal Audit will take account of guidance produced by the UK Public Sector Internal Audit Standards Advisory Board: "Conformance with the Public Sector Internal Audit Standards during the coronavirus pandemic" and will report on conformance as required.

Recommendation

The Accounts and Audit Committee is asked to note that the 2020/21 Internal Audit Plan within this report, previously shared with Accounts and Audit Committee Members in March 2020, will be subject to changes through the year and updates will be provided to the Committee at future meetings.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

None



TRAFFORD
COUNCIL

Internal Audit Operational Plan 2020/21

Date: **March 2020**

Internal Audit Operational Plan 2020/21 – Audit and Assurance Service

1. Introduction

- 1.1 The 2020/21 Internal Audit Operational Plan identifies the work to be undertaken by the Audit and Assurance Service during the year. This report describes its method of compilation and presents, at a high level, the 2020/21 Plan for approval.

2. Background

- 2.1 Local authorities continue to face challenges in delivering services with the limited resources available. Funding and cost pressures and increasing demand for some services emphasise how important it is that local authorities manage resources effectively, manage risks and consider opportunities to help achieve the corporate priorities. As part of this, councils need to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised. Internal Audit work aims to support the organisation by providing independent review of systems, processes and controls and provides a mechanism for identifying improvement actions required by the organisation.
- 2.2 Each year the Audit and Assurance Service produces a report setting out its annual internal audit plan for approval by the Corporate Leadership Team (CLT) and the Accounts and Audit Committee. Subsequent updates are then provided to CLT and the Accounts and Audit Committee through the year highlighting the work undertaken and progress against key areas of the plan. Actual work undertaken during the year against work planned is set out in the Annual Head of Internal Audit Report.
- 2.3 In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.4 The Audit and Assurance Service’s approach to undertaking internal audit work is set out in the following documents:
- Internal Audit Charter (This defines the purpose, authority and principal responsibilities of Internal Audit – See Appendix 3)
 - Internal Audit Strategy (This details the arrangements in place to deliver internal audit so as to ensure that the objectives of the Audit and

Assurance Service are met and the scope of it understood – see Appendix 4).

- Quality Assurance Programme (This sets out how the Service monitors its work to ensure adherence with standards; that it operates in an effective and efficient manner; and through its work adds value to the organisation – See Appendix 5).

The Internal Audit Charter, Strategy and Quality Assurance Programme documents have previously been reviewed and approved by CLT and the Accounts and Audit Committee in March 2019. There have been no revisions to these documents this year but it is planned that these will be further reviewed during 2020/21 for approval by March 2021.

3. Compilation of the Internal Audit Plan

- 3.1 The Operational Internal Audit Plan is produced to take into account coverage of risks and associated controls in place. At the end of the year an audit opinion is given as to the overall adequacy and effectiveness of the Council's control environment, which encompasses internal control, risk management and governance. An important consideration is that the plan should include good coverage across the Council's services and systems.
- 3.2 A number of factors are taken into account in compiling the plan based on statutory obligations, the Council's corporate priorities and an assessment of risks. Factors such as materiality, business risks, inherent risks and time since the area was last reviewed are taken into account.
- 3.3 The 2020/21 Internal Audit Plan takes account of risks in relation to financial resilience with reviews covering financial systems, budgetary control and the Council's asset investment strategy (See 5.2). Other areas of strategic risk are considered including review work in relation to cyber security (See 5.7), business continuity in the event of significant disruption and health and safety (See 5.4).
- 3.4 There is audit coverage across the Council's Corporate Directorates to reflect the Council's corporate priorities set out in the Corporate Plan. For instance, a wide variety of service audits are included within the Plan (as referred to in Section 5.9). The Corporate Directorates provide input to the plan through liaison with the Audit and Assurance Service throughout the year and through information provided such as through risk registers, action plans, self-assessments and control / governance issues raised.
- 3.5 The Audit and Assurance Service has a number of obligations to take into account in producing the plan. For instance, time is set aside for the Service to co-ordinate the update of the Council's Strategic Risk Register (See 5.4) and input to the review of the Council's Annual Governance Statement (5.3). A specific category of audit time is also included to reflect

- the requirement for internal audit checks of information supporting particular grant claims (See 5.10).
- 3.6 The risk of fraud and corruption is considered as part of planning a wide range of audits and also dedicated work in relation to fraud risks takes place, including co-ordinating, with other teams, the Council's work in relation to the National Fraud Initiative (See 5.5)
 - 3.7 There is a programme of planned audits in place of the Council's maintained schools which includes providing assurance that schools are operating in accordance with the Schools Financial Value Standard (See 5.8).
 - 3.8. Plans take into account other audit, assurance or development work being undertaken in particular areas. This includes work by the External Auditor and where applicable reviews by other external bodies e.g. audit reviews planned in relation to Children's Services will take into account developments in relation to Ofsted findings and subsequent improvement actions. Where appropriate, account will also be taken of other internal reviews which may relate, for instance, to work in relation to Scrutiny or the Modernisation Programme. Where appropriate, the Internal Audit Plan will be revised through the year.
 - 3.9 Plans include co-ordination with partners to provide assurance. This includes ongoing liaison with other Internal Audit sections as part of the STAR Shared Procurement Service to co-ordinate planned work (See 5.6). Where appropriate, Audit will liaise with other Internal Audit teams such as other Greater Manchester local authorities and Trafford CCG.
 - 3.10 Time is allocated to follow up on control issues previously raised in 2019/20, including previous audit review work, to assess progress in implementing action plans, particularly where significant areas for improvement in controls have been identified. The plan highlights a number of follow up audits.
 - 3.11 The amount of time available to undertake the annual plan is identified, and individual areas of work selected taking into account the above factors. A contingency is also held to allow for unforeseen circumstances (For instance, previously in 2019/20 this was used to partly offset a reduction in days following the departure of staff during the year).
 - 3.12 For reporting and monitoring purposes the plan is divided into a number of categories although it should be noted that there are significant areas of overlap between them.
 - 3.13 There are a variety of activities undertaken to fulfil the plan and in addition to conducting internal audit reviews which result in the issuing of audit reports, work may also include providing input to project / working groups, providing guidance and advice, and providing input to council policies and

- procedures (See 5.11). The Service also facilitates the production of a number of corporate reports presented to the Accounts and Audit Committee.
- 3.14 The report does not include reference to all work to be undertaken during the year. As issues are raised or areas of risk are identified on an ongoing basis, other areas are included through the year and existing plans reviewed. For some areas, further elements of planning may take place during the year and therefore detailed plans are not available at the commencement of the year. Regular updates to CLT and the Accounts and Audit Committee will include reference to new work included in the work plan through the year. The plan is flexible and during the year adjustments may be made to accommodate any changes in the control environment and to consider emergent risks. Supporting the plan set out in this report are further plans detailing work allocated to individual staff.
- 3.15 Time is set aside for the completion of reviews which had been included as part of the 2019/20 Plan. Work completed or in progress in 2019/20 and work carried forward to 2020/21 will be reflected in the Annual Head of Internal Audit Report to be completed by May 2020.
- 3.16 Assumptions in respect of available audit days are considered to provide the total planned days. For 2020/21, there are 1070 available operational audit days. There are currently 6 full-time internal audit staff expected to be in post in the Audit and Assurance Service for the start of 2020/21 plus resources of 50 audit days are to be purchased from Salford Internal Audit Services to undertake ICT audit work. Any further available staffing resources will be subject to review during the year.
- 3.17 In addition to the 1070 planned days shown, it should be noted that further time is allocated for a number of other activities undertaken that are not reflected in the analysis as they are not attributable to one particular category of work but support the audit process. These include support to the Accounts and Audit Committee, liaison with the External Auditor (Mazars), development of audit systems, procedures and guidance, networking with other North West Internal Audit groups to share good practice, information gathering in support of the production of the audit plan etc. Separate additional time allocations are given to individual staff to undertake these activities.

4. Reporting / Performance Monitoring

- 4.1 Through the year, progress updates will be provided to CLT and the Accounts and Audit Committee (through periodic updates and the Annual Head of Internal Audit Report) which will refer to details of the performance and impact of audit and progress against the plan. This will include details of:

- Actual chargeable audit days against planned days allocated.

- Number of audit opinion reports issued against that planned for the year (Target of 38 audit opinion reports to be issued in 2020/21 to final or draft stage, with any remaining opinion reports listed to be issued in the following year (See Appendix 2 for planned audit opinion reports to be issued)).
 - The impact of audit recommendations made in terms of both initial acceptance and also implementation (the latter identified through follow up audit work).
 - A summary of feedback from managers in respect of client surveys, which is detailed in the Annual Head of Internal Audit Report.
- 4.2 Where reviews or other key areas identified in the 2020/21 Plan are not undertaken as scheduled, this will be reported in subsequent updates including the 2020/21 Annual Head of Internal Audit Report.
- 4.3 Updates through the year will also include commentary on Audit resources available if there are issues that may impact on completion of the plan.

5. Internal Audit Plan Coverage 2020/21

- 5.1 The plan is compiled to ensure coverage across a wide and diverse range of services, systems and thematic areas of coverage. Each of the main categories of work is described in the paragraphs below.

In Appendix 1, there is a summary of the planned work and an estimated time is allocated to each category. This includes an estimate of time profiled by quarter.

In Appendix 2, there is a listing of audit opinion reports to be issued. This also indicates reviews where reports are expected to be issued in quarter one of 2020/21. There is also an explanation of the audit opinion levels.

5.2 Financial Systems

These are the core financial systems that provide key inputs for the production of the material balances in the Council's accounts. Previous assurance obtained in earlier audits will continue to be taken into account in planning the level of audit coverage within individual reviews.

Coverage will include review of the following systems during the year:

- Issue of a final report in relation to governance arrangements for the Council's asset investment strategy and further to this consideration of planning other review work in this area.
- Annual review of Treasury Management processes covering the financial year 2019/20.

- Accounts Payable system - A final internal audit report was issued in November 2019 and a further review will be undertaken towards the end of 2020/21 to follow up on progress in respect of implementing audit recommendations previously made.
- Further to work which has commenced in 2019/20, completion of an authority-wide of budgetary control review covering a number of different service areas across the Council.
- Other audits which commenced at the end of 2019/20 with final audit reports on the findings to be issued in the first quarter of 2020/21:
 - Housing Benefits / Council Tax reduction
 - Payroll system
- Accounts Receivable / Debt Recovery system - review originally planned to commence by the end of 2019/20 which will be undertaken in the first half of 2020/21.
- In relation to Children's Services:
 - Further to an audit report issued in April 2019 in respect of a review of the Children's Social Care payments system (Liquid Logic/ContrOCC), to issue a further report in the first quarter of 2020/21 covering findings from follow-up work undertaken.
 - A follow up is planned to be undertaken at the end of 2019/20 covering a previous audit review of Direct payments in January 2019. Any further work in this area will be considered following completion of this latest follow up work.
 - A review of systems, processes and controls to administer and monitor payments to Foster carers.
 - A review of administrative processes and controls for a number of higher value cash imprest accounts.
- In relation to Adult Social Care:
 - A review was undertaken at the end of 2019/20 of the Adult Social Care payment system (Liquid Logic / ContrOCC). In the first quarter of 2020/21 a final report will be issued containing findings from this review. Consideration will be given to any further review work in this area to commence towards the end of the year.
 - Adult Social Care Direct Payments – As per the review above, a final report will be issued in the first quarter of 2020/21 setting out findings from a review currently in progress and any further work in this area will be considered for later in the year.
- For a couple of financial systems subject to regular review where final audit reports have previously been issued in 2019/20 and high opinion levels provided, towards the end of 2020/21 plans will be agreed in terms of timing for respective future reviews. These relate to the following:

- Council tax
- Business Rates

By 31 March 2021, Councils are expected to demonstrate that they are working towards full implementation of the Financial Management Code, produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). This sets out the standards of financial management for local authorities. The aim of the Code is to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. During the year, Audit will liaise with the Financial Management service to assess progress in implementation of the Code.

Time will also be set aside for other issues and developments arising in respect of financial systems where further audit input or advice may be appropriate.

5.3 **Governance**

The approach for producing the Council's 2019/20 Annual Governance Statement (AGS) was set out in a report to the Accounts and Audit Committee in February 2020. Legal and Democratic Services lead in collating the AGS and Audit and Assurance will continue to work with them to provide support where required. Audit will complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance and feedback to Legal and Democratic Services on its findings.

Audit will liaise with Legal and Democratic Services and other service areas to identify, and consider the adequacy and effectiveness of, existing procedures in respect of the declaration of interests by Council staff.

Time will be set aside in the plan to provide internal audit input to other governance issues across the Council, including issues within the Council and through partnerships. This may take the form of sharing guidance or providing comment / advice in respect of ongoing developments which may also inform future planned audit work.

Where appropriate, Audit will liaise with partner organisations and time will be allocated for any assurance required to be provided in relation to Greater Manchester (GM) wide issues. This may include liaison with counterparts in other GM Councils, the Greater Manchester Combined Authority (GMCA), Trafford CCG and other organisations.

5.4 **Risk Management**

Time is allocated to review existing risk management arrangements across the Council and ensuring processes are evidenced. This will include continuing to facilitate the ongoing update of the Strategic Risk

Register. This provides assurance in respect of the highest strategic risks faced by the Authority in terms of the management and ongoing monitoring and mitigating actions for those risks - Risks such as in relation to national funding issues, business continuity, the impact of Brexit, safeguarding responsibilities, and in relation to the management of joint venture arrangements.

Audit will continue to monitor progress in relation to developments in business continuity to manage key risks associated with delivering service in the event of significant disruption, the importance of this area particularly highlighted given the recent coronavirus outbreak. This will include monitoring progress in implementing previous audit recommendations in this area and ensuring progress is tracked in strategic risk register updates.

An internal audit review of health and safety is planned to review this area of strategic risk, covering corporate processes in place.

There will also be an audit review of procedures and systems for managing and administering the Council's insurance arrangements.

The Service maintains corporate risk management guidance, available on the Council's intranet, which where applicable will be further updated during the year.

5.5 Anti-Fraud & Corruption

Fraud and corruption risks are considered as part of audit planning for individual audit reviews and where appropriate recommendations are made to reduce the risk of fraud.

The Service will also continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure the Council provides data in accordance with the requirements of the NFI 2020/21 exercise.

Specific cases of suspected internal fraud or theft referred to the Audit and Assurance Service will be subject to investigation during the year.

Audit and Assurance will continue to work with Legal and Democratic Services, Human Resources and other services as required to consider any updates required to individual policies and guidance supporting the Anti-Fraud and Corruption Strategy. This will include taking into account the expected launch of the new Local Authority Counter Fraud Strategy, "Fighting Fraud and Corruption Locally" at the end of March 2020.

5.6 Procurement / Contracts / Value for Money

Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money

and undertakes procurement in accordance with relevant legislation and the Contract Procedure Rules.

As part of internal audit planning in relation to the STAR Shared Procurement Service, Audit liaises with both STAR and the Internal Audit sections of the partner authorities (Stockport, Rochdale and Tameside Councils). Audit plans are agreed and relevant findings shared to ensure a co-ordinated audit process. At the time of this report, some planned review work had been agreed for 2020/21, with further areas to be confirmed later in 2020 as part of ongoing audit planning. To date, areas to be covered include the following:

- An audit was planned to commence towards the end of 2019/20, covering Social Value in procurement (in accordance with the Public Services Social Value Act 2012), incorporating monitoring in place across contracts within the authorities. This review is expected to be completed in the first half of 2020/21 (Lead – Trafford Council).
- Further work in relation to compliance with the Contract Procedure Rules (CPRs). Audit will continue to liaise with STAR in respect of progress regarding improvement actions to monitor adherence to the CPRs and will agree further audit review work. This will include considering processes for monitoring of spend data and procedures for approving exemptions to the CPRs and modifications to contracts.
- There will also be coverage in relation to contract management and the possible introduction of new systems to support this. It was agreed that Stockport Council will initially lead on this area.
- Follow-up of audits undertaken in 2019/20 where applicable. This is expected to include in relation to an audit of procedures for the processing of new vendor requests (Lead – Rochdale Council).

Confirmation of the above planned work and any other areas to be included in the 2020/21 Internal Audit Plan in relation to STAR will be reflected in the next Audit and Assurance update report later in 2020.

An audit report was issued in June 2019 in relation to the use of Purchase cards. These are used across a number of services, generally to enable one off or low value purchases, online purchasing or from suppliers where payment is required upfront. A follow up audit will be completed to assess progress in implementing previous recommendations.

Other review work across the Audit Plan will include consideration of aspects of procurement and contract management. Other review work may also be added to the Plan to take into account developments in the Council in these areas such as in relation to Commissioning and developments in relation to the Council's One Trafford Partnership.

5.7 Information Governance (IG) / Information, Communications and Technology (ICT)

This block of work covers both ICT auditing as well as the review of information governance processes across the Council. Risks in relation to cyber security and information governance are two key areas of risk currently listed on the Council's strategic risk register.

The audit of ICT covers the review of procedures, processes and controls across a range of computer systems and technical solutions. Salford Internal Audit Services undertake a significant part of this work and also contribute to audit planning in respect of this area. The following work has been planned to date:

- Further to a review undertaken towards the end of 2019/20 of cyber security based primarily on the National Institute of Standards and Technology (NIST) Cyber Security Framework, a further review is planned later in 2020/21 to focus on particular protection systems to gain assurance that these are functioning to an agreed standard and are being managed effectively.
- Further to work which commenced towards the end of 2019/20 on an ICT Service Management review following, where applicable, the ITIL framework (a detailed set of practices for IT service management that focuses on aligning IT services with the needs of business), further work is planned in 2020/21 before findings are reported later in 2020.
- An audit review of the adequacy and effectiveness of ICT security in schools which will be completed using a sample of Trafford schools.
- An Asset Management review to provide assurance that ICT assets are being effectively managed from acquisition to disposal.
- Completion of an IT Application Management review covering the controls in place in relation to the Civica system utilised by the Revenues and Benefits Service.
- Time may also be allocated to consider other developments, such as in relation to the implementation of new systems, the digital strategy and the Council's disaster recovery processes.

Audit work also encompasses wider information governance aspects:

- Further to work which is due to commence towards the end of 2019/20, the completion of a follow up audit in relation to the Council's processes for managing the risks of data breaches, taking into account the requirements of the General Data Protection Regulations (GDPR).

- An audit review of procedures in relation to dealing with Subject Access Requests (SARs), ensuring the requirements of GDPR are being met. This review was originally planned for 2019/20 but, in agreement with the relevant service has been rescheduled to 2020/21 given procedures and systems are currently under review.
- An audit review has also been planned for 2020/21 of procedures in relation to dealing with Freedom of Information requests.
- In liaison with the Information Governance team and other services as appropriate consider other areas of risk and consideration of further possible audit work. This may include issues arising from the Council's completion of the NHS Information Governance Toolkit.

5.8 Schools

As part of the Schools Financial Value Standard (SFVS), schools are required to submit a declaration to show adherence to the Standard by 31 March each year. The audit work programme takes into account the standards expected when evaluating the adequacy and effectiveness of internal controls, governance and risk management at individual schools. Information provided in SFVS assessments submitted is utilised by Audit and Assurance to assist in planning and undertaking school audits.

Based on a risk assessment, taking into account the information above, previous work undertaken at each school and liaison with relevant services, it is planned that 14 school audits will be undertaken. Audit reports will be issued as part of each audit review.

As part of follow up audit work, requests will be made from schools previously audited in 2019/20 to provide updates regarding progress in implementing audit recommendations made.

In addition, Audit will continue to liaise with relevant services, including Finance, in relation to schools related issues including sharing findings and considering risk areas and future planned audit coverage.

5.9 Assurance – Other Business Risks

Time is allocated to reviewing risk areas derived from a number of sources not covered within other categories of the plan, including director's / senior managers' recommendations, risk registers and areas identified by the Audit and Assurance Service. Reviews may cover individual services, establishments, functions and authority wide issues and risks to ensure a broad coverage of audit work across the Council.

For service/establishment related reviews, risks reviewed may encompass a number of areas of control such as procedures and responsibilities, adherence to legislation, budgetary control, Payroll/HR related processes,

risk management, security (of cash, assets and data), expenditure; income collection and recording, data quality, performance monitoring, information governance and other risks specific to the objectives of the service under review.

Audit reviews are included in the plan as follows (with the relevant Corporate Directorate(s) shown in brackets):

- Reviews included in the 2020/21 Internal Audit Plan:
 - Troubled Families (Children's Services) - Review to provide assurance on systems and process in line with requirements set out by the GMCA.
 - External Residential Placements (Children's Services) - Scope of review to be agreed further to the completion of an earlier review of budgetary control processes
 - Social Care transitions (Children/Adult Services) – Review of processes to be considered further to the completion of relevant external reviews and developments in Council policies in relation to transfers from Children's to Adults' Social Care.
 - Liberty Protection Safeguards (Adult Services) – New legislation is due to come into force from October 2019 replacing the Deprivation of Liberty Safeguards System to provide protection for those deprived of their liberty as part of their care or treatment. Review of processes in place to be considered further to any new guidance being issued.
 - Blue Badges (Governance and Community Strategy) - Review of administrative processes for the issuing of Blue Badges.
 - Complaints system (Governance and Community Strategy) – Review of the Council's system and processes for recording complaints and tracking responses.
 - Housing Waiting List (Place) - A review undertaken of the administration of the Housing Waiting List administered by Housing Options Service Trafford (HOST).
 - Let and Operational Estates (Place) - review of systems for administering the Council's Estates through the One Trafford Partnership with Amey, including collection of income and fulfilling landlord responsibilities.
 - Building Control (Place) - Review to include systems and processes for dealing with Building Regulation applications
 - Safety at Sports Grounds (Place) - Review of the Council's processes for fulfilling its statutory responsibilities.
 - Outdoor Advertising (Place) – Processes for arranging outdoor advertising across the borough including collection of income and contract management.

For the above reviews, Audit and Assurance will contact individual services to agree the detailed scope of the reviews prior to any work being undertaken.

- Follow up work in respect of previous audit work undertaken in 2019/20 will be completed. This will include the following audit review:
 - Licensing (Place)
- A number of other audit reviews completed in 2019/20 will be followed up. Further audits are not currently planned but managers will be asked to provide updates on progress made with previously agreed recommendations. These include the following where audits had previously been undertaken with reports issued in 2019/20:
 - Music Service (People)
 - Altrincham Library (Governance and Community Strategy)
 - Development Management (Place)
 - Tree Unit (Place)
- In agreement with respective Directorates, some reviews have been rescheduled from commencing in 2019/20 to be included in the 2020/21 Plan. These are as follows:
 - Aids and Adaptations (Adult Services) – a follow up review due to commence in Q1 of 2020/21.
 - Recruitment processes (People) – The audit was agreed to be rescheduled to later in 2020/21 in light of expected review work within this area as part of the Council’s Modernisation Programme.
 - Strategic Growth Team (Place) - The audit was agreed to be rescheduled to later in 2020/21 in light of expected review work within this area as part of the Council’s Strategic Services Review.
- There will also be time allocated for the commencement or completion of any other work expected to not be completed by the end of March 2020. This will be reflected in the 2019/20 Annual Head of Internal Audit Report. This will include the following list of audit reviews previously detailed in the 2019/20 Internal Audit Plan:
 - Sale Waterside Arts Centre (Governance and Community Strategy)
 - Flixton House (Governance and Community Strategy)
 - Out of Borough Education Placements (Children’s Services)
 - Home to School Transport (Children’s Services)

Where applicable, time will also be set aside to review other potential issues and risks raised through 2020/21 and plan further audit work beyond this:

- Further to future developments in relation to the Council’s action plan towards reducing carbon emissions, it was agreed that further

audit review work in relation to energy management will be considered later in the year.

- Further to discussions with various services, other areas may be added to the Plan or are being considered for inclusion in 2021/22. These include possible audit areas within Children's and Adult Services.

5.10 Data Quality/Grant Claims

A block of time is included in the plan for review of grant claims and other data quality checks made through the year where the internal audit function is required as part of the review/sign off process.

There will be a requirement for Audit input to sign off the 2019/20 grant claim in respect of the Disabled Facilities Grant by 31st October 2020 and submit to the Ministry of Housing, Communities and Local Government.

Similarly, there will be a requirement for Audit input to sign off the 2019/20 Basic Need Grant (Schools Capital Funding).

Audit will be notified of other grant claims and returns to be checked at various stages during the year, which is also expected to include highways maintenance funding. Work actually completed will be reported in Audit updates through the year and in the Annual Head of Internal Audit Report.

5.11 Service Advice / Project support

The Audit and Assurance Service provides advice across the Council on governance, control and risk issues. In addition to areas listed elsewhere in this report, time is set aside for the provision of ongoing service advice. This may take the form of responses to ad hoc queries, issuing guidance, and liaison with services. It may include, for instance, support and advice as part of project groups or liaison with services in respect of the development of new systems, processes and associated controls.

The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption. This will be updated where appropriate through the year.

Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from CLT and the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

2020/21 Operational Audit Plan – Allocation in Days

Appendix 1

<u>Category</u>	<u>Details</u>	<u>Impact of Audit and Assurance's work</u>	<u>Planned Days</u> (Profiled by each quarter of year – Q1/Q2/Q3/Q4)
Financial Systems	<p>Coverage, includes audits of fundamental financial systems reviews as described in section 5.2:</p> <p>Advice in relation to consideration of new systems / system development.</p> <p>Audit Opinion Reports to be issued as listed in Appendix 2.</p>	<p>Assurance on the operation of material business critical systems. Improvements in control environment supporting the achievement of corporate priorities, effective financial management, good governance and supporting the Council's position in respect of its external audit review.</p>	<p>175 (45/40/45/45)</p>
Governance	<p>Coverage as described in section 5.3:</p> <p>Corporate Governance / AGS - to provide support and advice to Legal and Democratic Services. Complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Declaration of interests (Officers) review.</p> <p>Advice / assurance in respect of governance issues.</p>	<p>Provision of assurance on the effectiveness of governance arrangements in place within the Council to support the achievement of Council and Community objectives and priorities.</p> <p>The Annual Governance Statement provides assurance to the public on the effectiveness of governance arrangements and enables the establishment of corporate improvement priorities.</p>	<p>20 (7/3/3/7)</p>
Corporate Risk Management	<p>Coverage as described in section 5.4. and Appendix 2 Includes:</p>	<p>Assisting the Council to effectively manage risks leading to improvements in service delivery, achievement of objectives and improvements in the</p>	<p>40 (5/12/15/8)</p>

	<p>Facilitating the updating of the Council's strategic risk register.</p> <p>Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.</p>	<p>allocation of resources. The work also supports the Council in evidencing good practice undertaken when subject to inspection and review.</p>	
<p>Anti-Fraud & Corruption</p>	<p>Coverage as described in section 5.5:</p> <p>Co-ordinate the Council's activity in respect of the National Fraud Initiative ensuring work completed across services in investigating data matches is progressed in accordance with Cabinet Office requirements.</p> <p>Contributing to Investigations of referred cases of suspected theft, fraud or corruption.</p> <p>Other work to support the Anti-Fraud and Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.</p>	<p>Contributes to the maintenance of high standards of conduct and governance. Provides assurance on the management of the risks of fraud and corruption. Advice to services on the improvement of controls in place to reduce potential risks, e.g. financial loss and reputational damage.</p>	<p>80 (20/20/20/20)</p>
<p>Procurement / Contracts / Value for money</p>	<p>Coverage as described in section 5.6:</p> <p>Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).</p>	<p>Assurance and challenge on the adequacy of procurement arrangements. Contributes to improvements in service delivery and the achievement of value for money for the Council.</p>	<p>70 (15/10/10/35)</p>

	Audit Opinion Reports to be issued as listed in Appendix 2.		
Information Governance / Information, Communications and Technology	<p>Coverage as described in section 5.7:</p> <p>ICT Audit reviews and advice conducted by Salford Internal Audit Services.</p> <p>Information Governance audit reviews</p> <p>Audit Opinion Reports to be issued as listed in Appendix 2.</p>	<p>Specialised technical advice and assurance on the adequacy of controls surrounding ICT systems.</p> <p>Assurance to managers who place significant reliance on ICT systems for the delivery of services.</p> <p>Contribution to the review and further development of the Council's information governance arrangements.</p>	<p>100 (15/25/25/35)</p>
Schools	<p>Coverage as described in section 5.8:</p> <p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p> <p>Audit reviews of schools – at least 14 school audit visits to be undertaken during the year.</p> <p>Planned audits to date are listed in Appendix 2.</p>	<p>Supports improvements in standards of governance and control in schools and supports process to enable achievement of standards set by the DfE.</p>	<p>170 (45/30/45/50)</p>
Assurance – Other Business Risks	<p>Coverage as described in section 5.9:</p> <p>Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes:</p> <ul style="list-style-type: none"> - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. 	<p>This work enables Internal Audit to provide a breadth of assurance across the Council that there are adequate governance and control arrangements in place, that policies and procedures are being implemented, that risks are being managed, and outcomes delivered.</p>	<p>260 (38/73/67/82)</p>

	Audit Opinion Reports to be issued as listed in Appendix 2.		
Grant claims checks / Data Quality	<p>Coverage as described in section 5.10:</p> <p>Internal audit checks of grant claims / statutory returns and other data quality checks as required:</p> <p>Audit and Assurance to be advised through the year of grant claims, review work and other returns to be checked/signed off.</p>	Ensuring the Council adheres to requirements in submitting relevant grant claims where Internal Audit input is required, providing assurance regarding the accuracy of data and supporting information reviewed.	<p>25 (5/12/5/3)</p>
Service Advice / Projects	<p>Coverage as described in section 5.11:</p> <p>General advice and guidance, both corporately and across individual service areas.</p> <p>Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.</p>	<p>Support to services, groups, project teams etc. around the relevance and application of corporate policies, procedure rules and good governance arrangements.</p> <p>Contributing to the delivery of effective project outcomes including input to the consideration of key risks and appropriate controls considered in the development of new systems, functions and procedures.</p>	<p>60 (15/15/15/15)</p>
		Total Allocated Days	<p>1000 (210/240/250/300)</p>
		Contingency (To cover additional / unexpected work and any unexpected reductions in available staff days).	70
		Total Planned Days	1070
		Available Days	1070
		Surplus/Deficit for Year	0

2020/21 Internal Audit Plan – Audit Opinion Reports

Category	Audit Opinion Reports
Financial Systems	<ul style="list-style-type: none"> - Housing Benefit / Council Tax Reduction (Finance and Systems)* - Payroll (People)* - Asset Investment Strategy (Authority-Wide)* - Adult Social Care Payments System - Liquid Logic/ContrOCC (Adult Services)* - Children's Social Care Payments System - Liquid Logic/ContrOCC (Children's Services)* - Direct Payments (Adult Services)* - Accounts Receivable / Debt Recovery (Finance and Systems) - Budgetary Control (Authority-wide/Finance and Systems) - Accounts Payable (Finance and Systems) - Treasury Management (Finance and Systems) - Foster Carer payments (Children' Services) - Cash handling (Children's Services)
Risk Management	<ul style="list-style-type: none"> - Health and Safety (People / Authority-wide) - Insurance (Finance and Systems)
Procurement / Contracts / Value for money	<ul style="list-style-type: none"> - Social Value in Procurement (STAR authorities – Trafford lead) (Finance and Systems)* - Purchase cards follow-up audit (Finance and Systems) - Based on details per Section 5.6, further reports to be issued during the year to be confirmed in Q1&2 2020/21 in liaison with STAR and partner authorities and will be listed in subsequent Audit Plan progress updates).
Information Governance / ICT Audit	<ul style="list-style-type: none"> - Data breaches (Governance and Community Strategy/Authority-Wide)* - Subject Access Requests (Governance and Community Strategy / Authority-Wide) - Freedom of Information Requests (Governance and Community Strategy / Authority-Wide) - Civica System IT Application review (Finance and Systems) * - ICT Service Management (Finance and Systems) - Cyber Security (Finance and Systems / Authority-wide) - ICT Asset Management (Finance and Systems) - ICT Security in Schools (Finance and Systems / Children's Services)
Schools	<p>14 School Audits (Children's Services)</p> <p>The full list of school audit reports to be issued will be confirmed through 2020/21 and listed in updates through the year. To include</p>

	reports to be issued for the following schools: - St. Alphonsus RC Primary School * - Victoria Park Junior School * - Moorlands Junior School - 11 other schools audits to be undertaken in 2020/21.
Assurance – Other Business Risks	<ul style="list-style-type: none"> - Sale Waterside Arts Centre (Governance and Community Strategy)* - Flixton House (Governance and Community Strategy)* - Blue Badges (Governance and Community Strategy) - Complaints System (Authority-Wide / Governance and Community Strategy) - Recruitment Processes (People) - Aids and Adaptations (Adult Services) - Liberty Protection Safeguards (Adult Services) - Social Care Transitions (Children’s/Adult Services) - Troubled Families (Children’s Services) - Children’s external residential placements (Children’s Services) - Out of Borough Education Placements (Children’s Services) - Home to School Transport (Children’s Services) - Licensing (Place) - Building Control (Place) - Housing Waiting List (Place) - Let and Operational Estates (Place) - Outdoor Advertising (Place) - Safety at Sports Grounds (Place) - Strategic Growth Team (Place)

*Denotes reviews where final audit reports are expected to be issued in Quarter One of 2020/21, which includes some reviews carried forward from 2019/20. Planned completion of work in the remainder of the year to be advised in subsequent Audit and Assurance update reports.

Note:

A target number of 38 of the above reports is planned to be issued during 2020/21 with remaining reports for reviews to have commenced in 2020/21 to be issued in the following year.

In addition, there may be other audit opinion reports issued in addition to the above which may relate to audit coverage described in Section 5 of this report or relating to other issues arising during the year.

Audit Opinion Levels

For the above reviews listed, an audit report will be issued and an audit opinion will be provided. Opinion levels are set as follows:

Audit Opinion Level	Description
High	Very good standard of control. All high risk areas are adequately controlled.
Medium/High	Good standard of control. A small number of high risk areas require control improvements.
Medium	Adequate standards of control. Control improvements are required for a number of high risk areas.
Low/Medium	Marginal standard of control. Some business risks are controlled effectively. Control improvements are required for a significant number of high risk areas.
Low	Unsatisfactory standard of control. Controls in place to address business risks are not adequate.



TRAFFORD
COUNCIL

Internal Audit Charter

Audit and Assurance Service (March 2020)

TRAFFORD COUNCIL

AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 Section 151 of the Local Government Act 1972 requires Councils to “make arrangements for the proper administration of their financial affairs”. More specific requirements are detailed in the Accounts and Audit Regulations 2015 in that the relevant authority must “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
- 1.2 The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function at Trafford which is provided by the Audit and Assurance Service.
- 1.3 The Audit and Assurance Service is required to operate in accordance with the UK Public Sector Internal Audit Standards. The Standards are mandatory for all internal auditors working in the UK Public Sector.

2. Definitions

Internal Audit

- 2.1 “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Public Sector Internal Audit Standards).
- 2.2 CIPFA provide further details in their PSIAS Local Government Application Note : “Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

The “Board” and “Senior Management”

- 2.3 The Public Sector Internal Audit Standards (PSIAS) require that the internal audit charter defines the terms ‘board’ and ‘senior management’ in relation to the work of internal audit. For the purposes of internal audit work, the ‘board’ refers to the Council’s Accounts and Audit Committee which has delegated responsibility for overseeing the work of internal audit. The term senior management will be defined on an individual basis according to individual context but will usually refer to the Corporate Leadership Team (CLT).

3. Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing

3.1 The Mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. In order to achieve this, in accordance with the PSIAS, it should operate in accordance with the following core principles:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement.
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

4. Status

4.1 The Audit and Assurance Service forms part of Financial Management within the Finance and Systems Directorate.

4.2 Internal Audit's authority derives directly from its statutory responsibilities and the Procedure Rules established by the Council.

4.3 The responsibility for the production and execution of the internal audit plan and subsequent audit activity rests with the Audit and Assurance Manager. The Audit and Assurance Manager reports to the Deputy Director of Finance and the Corporate Director of Finance and Systems (Section 151 Officer) but will also report directly to the Chief Executive where required.

5. Reporting Lines

5.1 The work of the Audit and Assurance Service is reported directly to the Chief Executive; to members via the committee charged with responsibility for audit and governance (The Accounts and Audit Committee, defined by the term "Board" under PSIAS) and to Executive members. The work of the Accounts and Audit Committee is also reported annually to the Council.

5.2 Internal audit assignments are the subject of formal reports. These reports are sent to the relevant Corporate Director and Head of Service together with relevant managers. The Executive member with portfolio responsibility, Chief Executive, Corporate Director of Finance and Systems, Deputy Director of Finance and External Audit will receive copies of the internal audit reports. The Monitoring Officer will also receive copies of audit reports at the discretion of the Audit and Assurance Manager. Reports are issued initially as drafts and, following agreement as to contents and responsibility for implementing recommendations, a final report is issued. The Accounts and Audit Committee is provided with a listing on a periodic basis of each audit report, summarising the findings and stating the audit opinion given.

6. Independence

6.1 The Audit and Assurance Service will be sufficiently independent of the activities being audited so that auditors are able to make impartial and effective professional judgements and recommendations.

6.2 Internal Audit will determine its priorities in consultation with the Accounts and Audit Committee.

6.3 The Audit and Assurance Manager will report impartially in his or her own name.

6.4 Where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of audit work (whether for personal reasons or through managing or undertaking any non-audit duties), this will be managed through the internal audit management and supervisory process. Work will be re-assigned where appropriate. Staff are required to declare any potential conflict of interest and a signed declaration from each member of staff is required on an annual basis. In the event that the Audit and Assurance Manager has responsibility for any activity relating to non-audit duties, to ensure independence is not impaired, the Audit and Assurance Manager would not be directly involved in the audit of this activity and arrangements would be agreed with the Section 151 Officer.

6.5 Adequate budgetary resources will be made available to enable the Internal Audit function to maintain its independence.

7. Responsibilities

7.1 The main objective of the Audit and Assurance Service is to provide the Council with an independent and objective opinion on the Council's control environment.

7.2 The Audit and Assurance Service should play a key role in shaping the ethics and standards of the Council and where appropriate, act as a catalyst for change and improvement.

7.3 The scope of internal audit work will cover all the Council's activities and encompass both the financial and non-financial aspects of the control environment. This includes activities undertaken in partnership with other

organisations where assurance will be sought in accordance with agreed protocols including access rights.

- 7.4 Internal audit work comprises an independent and objective review of the control environment. The key elements of the control environment include:
- (a) Establishing and monitoring the achievement of the organisation's objectives
 - (b) The facilitation of policy and decision making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the council, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
 - (c) Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness
 - (d) The financial management of the Council and the reporting of financial management
 - (e) The performance management of the Council and the reporting of performance management.
- 7.5 The Council's assurance and performance management framework will be taken into consideration when determining the work of Internal Audit. The key elements of the assurance and performance management framework are:
- Risk management both at the strategic and operational levels
 - The monitoring of key Council objectives and targets by the Corporate Leadership Team
 - Business planning - the identification and monitoring of key business targets by individual services
 - Self-assessments by managers of the operation of controls for which they are responsible
 - Reviews by External Audit
 - Reviews by other external agencies
 - Scrutiny reviews
 - Previous work of Internal Audit and the Accounts and Audit Committee.
- 7.6 Particular attention will be devoted to any aspects of the control environment affected by significant changes within the organisation's risk environment.
- 7.7 The Audit and Assurance Manager will also make a provision, in the scope of Internal Audit's work, to form an opinion where key systems are operated by the Council on behalf of other bodies or other bodies are operating key systems on behalf of the Council.
- 7.8 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis.
- 7.9 The Audit and Assurance Manager will give an opinion on the operation of the Council's control environment, which encompasses internal control, risk management and governance. This is set out in the annual Head of Internal Audit report.

7.10 The Audit and Assurance Service will also take a lead role in supporting the work of the Accounts and Audit Committee. This will include co-ordinating the committee's work programme in agreement with committee members and supporting the committee to report on its work undertaken.

8. Fraud and Corruption

8.1 The Audit and Assurance Service works with other services including the Counter Fraud and Enforcement Team, Human Resources and Legal Services to maintain the Council's anti-fraud and corruption policy, strategy and supporting guidance. The Service also works with others to raise awareness of anti-fraud measures across the Council and fraud risks are considered as part of Internal Audit review work.

8.2 The Audit and Assurance Manager will be informed of suspected or detected fraud, corruption or impropriety, so that he or she can consider the adequacy of the relevant controls and evaluate the implications of fraud and corruption for his or her opinion on the internal control environment.

9. Access

9.1 The Audit and Assurance Service will have unrestricted direct access to all members, council personnel, records (whether manual or computerised), cash, stores, and other assets and may enter council property or land to obtain such information and explanations considered necessary to fulfil the responsibilities of an internal audit function. Such access shall be granted on demand and not be subject to prior notice and will also extend to partner bodies or external contractors working on behalf of the authority insofar as such access relates to work carried out or services provided on behalf of or in partnership with the authority. In respect of issues where clarity may be required in relation to access rights e.g. in relation to specific partnership arrangements, Audit and Assurance will seek advice, e.g. from relevant service areas such as Legal Services.

10. Limitations of Internal Audit Responsibilities

10.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit set out in section 7 above, it should be noted that the Internal Audit function is not responsible for:

- Controlling the risks of the authority.
- Establishing and maintaining systems of internal control.
- Determining operational policies or procedures.

11. Resources

11.1 The Audit and Assurance Manager will hold a relevant professional qualification; have wide experience of audit and management and will be responsible for ensuring that the Audit and Assurance Service is appropriately staffed in terms of numbers, grades, qualification levels and experience.

- 11.2 The Audit and Assurance Manager will ensure that appropriate provision is made for maintaining and developing the competence of audit staff. All internal auditors will undertake a programme of continuing professional development to maintain and develop their skills. A record of training and development undertaken and planned will be maintained.
- 11.3 The Audit and Assurance Manager is responsible for ensuring that the resources of the Audit and Assurance Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient this will be formally reported to the Section 151 Officer, Chief Executive and, if the position is not resolved, to Members charged with responsibility for audit and governance (Accounts and Audit Committee).

12. Consultancy

- 12.1 Consultancy comprises the range of services, other than assurance services, provided by Internal Audit to assist management in meeting the objectives of the Council. This may include facilitation, process design, training, and advisory services. The Audit and Assurance Manager will be responsible for deciding what level of consultancy support Internal Audit can provide. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the planned annual assurance process.
- 12.2 In the event that the Service has previously performed consulting services, in planning the allocation and scoping of future assurance work, account will be taken of consultancy work performed in that area to ensure that independence and objectivity is not impaired.
- 12.3 Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

13. Review

- 13.1 The Internal Audit Charter will be subject to regular review, the results of which will be reported for approval by the Corporate Leadership Team and the Accounts and Audit Committee.

Mark Foster
Audit and Assurance Manager
March 2020



TRAFFORD
COUNCIL

Internal Audit Strategy

Audit and Assurance Service (March 2020)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

INTERNAL AUDIT STRATEGY

1. Introduction

- 1.1 The Internal Audit Charter defines the purpose, authority and principal responsibilities of Internal Audit. The Internal Audit Strategy set out in this document details the arrangements in place to deliver internal audit so as to ensure that the objectives of the Audit and Assurance Service are met and the scope of it understood.
- 1.2 The Audit and Assurance Service is required to deliver a risk-based audit plan in a professional independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment (which encompasses internal control, risk management and governance); and, where applicable, to make recommendations to improve it.
- 1.3 The Strategy Statement below sets out the key requirements for ensuring the Audit and Assurance Service fulfils its role effectively. The Statement sets out the overarching vision and aims of the Service. Details of how these requirements are to be met are set out in sections 3 to 8 of the Strategy.

2. Strategy Statement

- 2.1 The Mission and Core Principles for Internal Audit are defined in the Internal Audit Charter, in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Audit and Assurance Service should work to these in its planning and service delivery. (See Section 3.1 of the Internal Audit Charter).
- 2.2 The Audit and Assurance Service plays a key role in shaping the ethics, values and standards of the Council. The Service should be professional, challenging and innovative, acting as a catalyst for change and improvement by:
 - Ensuring its work adds value and maximises assurances to the Council about its positive impact on the achievement of corporate objectives and service delivery;
 - Having a sound knowledge of the organisation, being forward looking and aware of local, regional and national agendas and their impact on the Council;
 - Ensuring the service is flexible, works in partnership with managers, invests in good working relationships with all stakeholders and responds effectively to the changing needs of the Council;
 - Having sufficient resources to effectively deliver the vision and uphold professional standards, particularly officer resources with the number, skills mix, knowledge and experience to achieve this.

3. Service Provision

- 3.1 The Internal Audit function is provided by the Audit and Assurance Service, which is part of Financial Management within the Finance and Systems

Directorate. Day to day management is the responsibility of the Audit and Assurance Manager who reports both to the Deputy Director of Finance (line manager) and also reports directly to the Corporate Director of Finance and Systems (Section 151 Officer) on all key internal audit related matters. The Service maintains independence in its reporting as set out in its Charter and associated procedures.

3.2 Internal audit services to the Council are currently provided by in-house resources and are complemented by bought-in resources as follows:

- Specialist ICT audit resources are provided by Salford Internal Audit Services. This arrangement was originally agreed by the Association of Greater Manchester Authorities as part of a review of joint working whereby Salford City Council provide specialist resources for use by all the Greater Manchester authorities. These specialist resources are used to complement in-house resources.
- Internal audit resources will be bought-in if the Audit and Assurance Manager, in agreement with the Deputy Director of Finance and Corporate Director of Finance and Systems, considers this to be necessary to ensure completion of the internal audit plan, and if resources permit this approach. The engagement of bought-in internal audit resources will be reported to members charged with the responsibility for audit and governance. (Recognition will be given to potential conflicts of interest where bought in internal audit resources also provide non internal audit services to the Council).

3.3 The Audit and Assurance Manager is responsible for ensuring that all internal audit work complies with the Internal Audit Charter and the Public Sector Internal Audit Standards.

4. **Audit Planning**

4.1 A risk based Audit and Assurance Service plan will be produced on an annual basis. This will be derived from the 'Audit Universe' which comprises all auditable areas in the control environment. Work will be planned to ensure adequate assurance is provided towards the completion of the Council's Annual Governance Statement.

4.2 Resources will be allocated taking into account assurance levels required, risks involved and the potential impact of the work. The planned programme of work will be informed by:

- assurance required to be provided as a Council
- assurance gained from other sources other than internal audit work including external audit and other inspectorates, service self-assessments etc.
- knowledge and understanding of the organisation including future priorities and potential impacts
- detailed consultation with key stakeholders.

4.3 Factors to be taken into account when undertaking a risk assessment of auditable areas will take account of the council's assurance and performance management framework including:

- Risk management both at the strategic and operational levels
- Monitoring of key council objectives and targets by the Corporate Leadership Team
- Directorate and Service Business Planning arrangements
- Governance and control self-assessments by managers of the operation of controls for which they are responsible
- Reviews by External Audit and other external agencies
- Other internal reviews including scrutiny work
- Previous internal audit and Accounts and Audit Committee findings.

4.4 The Annual Internal Audit Plan lists the areas to be audited and the resources required. Audit reviews and other programmes of work will focus both on strategic and operational issues. To ensure adequate flexibility, audit work will involve a number of different methods of delivery i.e. traditional internal audit reviews; provision of guidance; awareness raising; advice to project / working groups etc. The plan will be prepared to ensure:

- Fundamental financial systems are reviewed on a cyclical basis.
- Adequate resources are set aside for anti-fraud and corruption work including investigating suspected cases and raising awareness across the Council.
- Adequate resources are included to enable reviews of the Council's corporate governance and risk management arrangements.
- The Council's ICT systems and information governance processes are subject to adequate internal audit coverage.
- Procurement and contracts arrangements across the council are reviewed.
- Internal Audit fulfils its role in auditing schools, supporting the process by which schools are required to meet the Schools Financial Value Standard.
- Adequate coverage of other key business risks including individual coverage of authority-wide issues, individual services, establishments, partnerships, programmes and projects.

4.5 Provision is made to follow up work completed in previous periods. The plan also contains a contingency for unforeseen changes which may necessitate a change in priorities.

4.6 The Internal Audit Plan is flexible and will be kept under review and will be revised to take account of changes in the risk environment. Significant changes in the plan will be reported to the Corporate Leadership Team and to the Accounts and Audit Committee.

5. **Service Delivery**

5.1 There will be close working with management in agreeing the scope of individual audit assignments. The planning and scoping process takes into account any significant factors, developments and key risks to ensure the internal audit review of that area will add value for the Council.

5.2 The ongoing development of the Audit and Assurance Service's knowledge base will provide an effective source of information as part of the planning

process. Knowledge will be developed by various means including ongoing liaison and discussion with managers and other key stakeholders.

- 5.3 Individual Audit and Assurance projects will have, within the overall project time allocation, planned time to allow the Audit and Assurance Officer(s) to research and build their knowledge of the area (proportionate to the nature/complexity of the review).
- 5.4 The Audit and Assurance Manager will ensure that there are documented protocols and procedures for planning and conducting audits, setting out the standards for the service. These will be set out in the Audit Manual. The Audit and Assurance Manager will monitor performance against the standards set out in the Audit Manual and other relevant documents.

6. Reporting

- 6.1 Reporting arrangements for the Audit and Assurance Service are set out in protocols which form an integral part of the Service's Audit Manual.
- 6.2 The approach to reporting, delivering opinions and supporting conclusions, and developing associated improvement actions will be flexible. This will be to ensure that officer resources are effectively utilised, the needs of recipient managers/stakeholders are met, the necessary assurance is provided and the form of reporting maximises ownership and impact of resulting improvement actions / organisational change being recommended.
- 6.3 For individual audit assignments, where internal audit recommendations are made, these will be discussed with management prior to the issue of audit reports. The findings from the audit will be reported, clearly identifying and explaining the key risks and control weaknesses, with the relative priority of recommendations clearly communicated. Following each audit, the client manager will have the opportunity to provide feedback via the client satisfaction survey.
- 6.4 Progress against the annual internal audit plan will be monitored by the Audit and Assurance Manager and reported to the Corporate Leadership Team and to the Accounts and Audit Committee on a regular basis.
- 6.5 The Audit and Assurance Service will give an overall opinion each year on the Council's risk management, control and governance arrangements to support the Annual Governance Statement. The Internal Audit opinion on the control environment will be given in the Annual Head of Internal Audit Report, which will be presented to the Corporate Leadership Team and the Accounts and Audit Committee.

7. Staffing / Resources

- 7.1 In order to deliver the Internal Audit Strategy and comply with professional standards, it is important that the Audit and Assurance Service comprises staff with the appropriate skills and experience.

- 7.2 Audit and Assurance officers are expected to undertake continuing professional development as appropriate and undertake training / development activities, both for personal development and to ensure there is an effective skills balance within the Service.
- 7.3 The Service operates personal development and review processes in line with the Council's policy as well as professional good practice. Ongoing training and development needs are identified as part of this process. In addition to internal training, such as through e-learning, shadowing the work of colleagues etc., available training provided by key providers such as CIPFA and IIA is considered and where appropriate included within the ongoing programme of training. Training and development needs are reviewed regularly.
- 7.4 The Service has a clearly defined code for staff encompassing ethics, conduct and values in accordance with the Public Sector Internal Audit Standards. Staff are required to complete and sign a declaration statement in line with the PSIAS Code of Ethics.
- 7.5 If resources, including staffing, are insufficient for the Audit and Assurance Service to provide an opinion on the control environment, the Audit and Assurance Manager will report this to the Deputy Director of Finance, Corporate Director of Finance and Systems, Chief Executive and to the Accounts and Audit Committee.

8. Ongoing Development Actions

- 8.1 The Service reviews its procedures, systems and working methods on a regular basis. This includes a review, at least annually, against the Public Sector Internal Audit Standards through either an internal or external assessment. Details are reported to the Accounts and Audit Committee within the Head of Internal Audit Annual Audit Report. The Service has a Quality Assurance Improvement Programme setting out its quality review processes in place which includes details in respect of both internal and external assessments (See Appendix 5).
- 8.2 There are a number of areas that are subject to ongoing or periodic review to ensure standards are maintained and where possible improvements made. The following will continue to be considered as part of ongoing service planning and monitoring of performance:
- Consider the ongoing appropriateness / application of audit procedures and protocols both in ensuring these continue to meet the organisation's requirements and remain in accordance with the Public Sector Internal Audit Standards.
 - Continue to consider and where appropriate, adopt, various approaches to audit reporting taking into account client feedback.
 - Continue to consider training and development needs of staff to ensure there remains adequate knowledge and expertise in specific areas of audit activity.
 - As part of ongoing audit planning, continue to consider the approach to gathering assurance including collaboration with other Internal

Audit providers e.g. in respect of audit reviews of partnerships and other arrangements where there is collaboration between organisations.

- Continue to consider appropriate means of raising awareness of key governance and control issues. Ensure content on the Audit and Assurance Intranet site is regularly reviewed to ensure it is up to date and provides effective guidance.
- Ensure methods of working take into account any changes in the organisational structure, accommodation issues, technology, agile working protocols etc.

9. Review

- 9.1 The Internal Audit Strategy will be subject to regular review, the results of which will be reported to the Accounts and Audit Committee and the Corporate Leadership Team.

Mark Foster
Audit and Assurance Manager
March 2020



TRAFFORD
COUNCIL

Quality Assurance Improvement Programme - Audit and Assurance Service

Audit and Assurance Service (March 2020)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

Quality Assurance Improvement Programme

1. Introduction

1.1 The Audit and Assurance Service Quality Assurance and Improvement Programme (QAIP) is in place to provide reasonable assurance to the various stakeholders of the Internal Audit activity that the Service:

- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and improving Internal Audit's operations.

1.2 The QAIP covers Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:

- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner;
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics;
- Helping the Internal Audit activity add value and improve organisational operations;
- Undertaking both periodic and on-going internal assessments (Standard 1311); and
- Commissioning an external assessment at least once every five years, the results of which to be are communicated to the Accounts and Audit Committee (in accordance with Standard 1312 and 1320).

2. Internal Assessments

2.1 In accordance with PSIAS Standard 1311, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

2.2 Continual assessments are conducted through:

- Management supervision of each audit review;
- Audit policies and procedures used as set out in in the Internal Audit Strategy and Audit Manual for each assignment in order to comply with appropriate planning, fieldwork and reporting standards;
- Review and approval of all final reports including recommendations and levels of assurance by the Audit and Assurance Manager.
- Feedback from audit clients obtained through a client survey issued following each internal audit review. A summary analysis of responses received is included in the Annual Head of Internal Audit report.

- Monitoring of internal performance to feed into regular reporting to the Corporate Leadership Team and Accounts and Audit Committee.

Periodic Review

2.3 Periodic assessments/reviews are conducted through:

- Reporting through the year in periodic updates and annual reporting to the Corporate Leadership Team and the Accounts and Audit Committee on the work of Internal Audit. This includes presenting the Internal Audit Plan for approval; periodic updates of progress against the Plan and work completed for the year reflected in the Annual Head of Internal Audit Report.
- Annual self-assessment against the Public Sector Internal Audit Standards with a summary of the outcome of this exercise reported in the Annual Head of Internal Audit Report, including any key improvement actions planned.
- Performance review of individual audit staff through the Council's corporate processes.

3. External Assessments

3.1 External assessments will appraise and express an opinion about Internal Audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

Frequency of External Assessment

3.2 An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be agreed with the Section 151 Officer and Chair of the Accounts and Audit Committee.

Scope of External Assessment

3.3 The scope of the external assessment will consist of the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, Internal Audit's Charter, plans, policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the internal audit activity into the Council's governance and reporting framework;
- Processes undertaken by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staffing structure;
- A determination whether Internal Audit adds value to governance, risk management and internal control within the Council.

3.4 Results of external assessments will be provided to the Accounts and Audit Committee. The external assessment report will be accompanied by a written action plan in response to recommendations identified. Any significant areas of non-compliance will be reported in the Annual Head of Internal Audit Report and where applicable, considered for inclusion in the Annual Governance Statement.

4. Review of the QAIP

4.1 This document will be appropriately updated following any changes to the PSIAS or Internal Audit's operating environment and will be reviewed on a regular basis.

Audit and Assurance Service : March 2020

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 15 July 2020
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Strategic Risk Register 2020/21 (July 2020 update)

Summary

The Accounts and Audit Committee is asked to consider this report which provides an update on the strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks.

Recommendation

The Accounts and Audit Committee notes the report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit & Assurance Manager. **Extension:** 1323
Peter Morris – Senior Audit & Assurance Officer **Extension:** 2841

Background Papers:

None

1. INTRODUCTION

- 1.1 The Council's Strategic Risk Register (SRR) contains the strategic risks the Council is likely to face in achieving its high level corporate objectives.
- 1.2 In accordance with the Council's Risk Management Policy, the Corporate Leadership Team (CLT) provides regular periodic updates on the strategic risk environment and in particular performance in managing the specific risks incorporated within the SRR.
- 1.3 This report is based on information provided by risk owners in June/July 2020 for each risk unless otherwise stated.

2. THE STRATEGIC RISK ENVIRONMENT – RISK EXPOSURE AND PERFORMANCE MANAGEMENT

- 2.1 The Audit & Assurance Service liaised with CLT and senior managers to agree the risks to be included in the strategic risk register and provide updates on risks under their remit, including progress in managing these risks. Section 3 of this report contains an update on the strategic risks previously reported to the Corporate Leadership Team in March 2020. Where applicable, risks have been updated in light of developments in respect of the COVID-19 outbreak.
- 2.2 The risk chart below shows an analysis of the current strategic risks. The chart analyses the levels of risk exposure in terms of impact and likelihood. The number of strategic risks for each risk level is shown. There are currently 15 strategic risks. For each risk listed in Section 3, this includes the relevant Executive Portfolio and Service Directorate.
- 2.3 Since March 2020, there was an increase in the risk scores for two of the risks as a result of the COVID-19 pandemic. These relate to the following:
 - Risk 10 – Breach in Health and Safety increasing from a score of 10 (Medium) to 20 (High).
 - Risk 12 - Delay in completing the Business Continuity (BC) Programme Project, resulting in an increased risk that the Council may fail to deliver Council services in the event of significant disruption increasing from a score of 10 (Medium) to 15 (Medium).
- 2.4 A new risk has been added to the strategic risk register (See Risk 15) in relation to the impact of COVID-19 on Leisure Services.
- 2.5 The overall risk of significant disruption as a result of the COVID-19 pandemic (See Risk 1) was initially reported at the highest risk level (score of 25) to CLT in March 2020 but has recently been reduced to a high level score of 20 reflecting response actions and overall developments in recent months.

2.6 The next strategic risk update will be undertaken through the second quarter of 2020/21 and reported to the Accounts and Audit Committee at its meeting in October 2020.

Comparison of Risk Levels March and July 2020

IMPACT **Risk Levels – March 2020**

Very High(5)	2	5	4	1	
High (4)		1	1		
Medium (3)					
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

LIKELIHOOD

IMPACT **Risk Levels – July 2020**


Very High(5)		6	6		
High (4)		1	1	1	
Medium (3)					
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)


LIKELIHOOD


High Risk
Medium Risk
Low Risk


3. Strategic Risks (July 2020)


Red	Amber	Green
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<i>Risk</i>	<i>Strategic Risk Title / (Directorate / Portfolio)</i>	<i>Risk Score / Level / Direction of Travel</i>	<i>Management of Risk - Direction of Travel **</i> <i>(Refer to the key at the end of the report for a detailed explanation)</i>	<i>Comments</i>
1	Significant disruption as a consequence of the COVID-19 outbreak	20 High (Reduced from 25)		<p>The Council is continuing to work to the GM Pandemic Strategic Response Plan in preparing a coordinated response to the COVID 19 outbreaks in Trafford. The governance arrangements have been set up with the Recovery Coordinating Group Chaired by the Chief Executive of the Council. This acts at the gold command level. We are publishing our Outbreak Management Plan as required on 30th June 2020 and have established two new Boards: a Health Protection Board, chaired by Eleanor Roaf (DPH) and a Public Engagement Board, to be chaired by the Leader of the Council. Three further Silver level thematic groups are meeting weekly chaired by Corporate Directors. They are Adults Health and Social Care, Chaired by Diane Eaton, Children's Health and Social Care and Education Chaired by Jill McGregor and Operations and Resilience Group chaired by Sara Saleh and Richard Roe. Terms of reference have been established for all the groups with the key areas that each group will oversee and provide assurance that these critical areas are being addressed. A number of sub groups / and time limited task groups have been established.</p> <p>There has been an ongoing communication programme for residents, staff and partners. New HR arrangements have been issued to staff to facilitate home working. ICT capacity has been enhanced through an increase in VPN licences. Directorates have updated their business continuity plans to focus on critical services. Major changes have been implemented to working practices to ensure that all staff whose job role allows them to work from home are able to do so. A range of programmes to support residents and businesses to mitigate economic impact have been introduced.</p>

				<p>The Health and Social Care Group has progressed both strategic and operational work providing support to Care Homes, Direct Payments services, Home Care, Drug and Alcohol services and Domestic Abuse and, training for care providers. Commissioners have sought assurance of business continuity from all service providers. The group works closely with CCG , primary care and the Trafford Local Care Organisation</p> <p>The Children’s Social Care and Health is working towards trying to secure placement stability for Looked After Children, staffing resilience for maintaining front line critical services, children’s health and wellbeing, youth justice and cohesion and advising supporting school and educational settings.</p> <p>We are now planning for the safe return of some members of staff to our buildings and for the re-opening of some services, both directly provided and commissioned. WE have been carrying out risk assessments to minimise risks of outbreaks of covid-19 and will be using local and national data to provide intelligence on any areas of concern.</p>
2	<p>The Council does not fulfil its statutory duties and all accompanying policy requirements in terms of identifying and safeguarding vulnerable children.</p> <p>(Children’s Services / Children’s Services).</p>	<p>20 High (No change)</p>		<p>Safeguarding children is an area of Council responsibility that requires constant high levels of vigilance to guard against the risk of harm or abuse to children that could have been prevented through early help, identification, assessment and support.</p> <p>Trafford Children’s Services was inspected under the Inspection Local Authority Children’s Service Framework in March 2019 and received an overall rating of inadequate. The sub-judgements were Requires Improvement for children in need of protection, Requires Improvement for children in care and care-leavers and Inadequate for Leadership. Following this judgement a number of actions are being progressed to address the issues:</p> <ul style="list-style-type: none"> • A full Improvement Board has been established with an Independent Chair and attended by senior politicians and senior officers from the Council and key partners. • A full and comprehensive Action Plan has been published, implemented and we are now developing the next stage of this plan.

				<ul style="list-style-type: none"> • Progress towards improvement is now being monitored by the Department of Education regularly through the Involvement of our Improvement Advisor and DfE link officer. • Ofsted will now conduct a series of quarterly Monitoring Visits with published outcomes to measure our progress. First Monitoring Visit was October 2019, the outcome of this visit is not published. We expected the next Monitoring Visit in March 2020 but this was cancelled due to Covid 19. • Additional resources were released immediately following the inspection to respond in key areas with increased staffing and resources. A further 3 year financial commitment has now been agreed to embed improvements. • Significant changes have been made to the Early Help and Children’s Social Care Front Door processes to improve timeliness and quality of decision making. Discussions are now well developed with partners about an agreed approach to Early Help. There has been significant focus on improving Quality Assurance processes within the service and better reporting to Senior Managers. These changes are starting to inform a better self-view of our quality of practice. There will be a focus on embedding improvements and measuring impact going forward. • During Covid 19 we have established processes to focus on keeping children safe and maintaining placement stability for our cared for children. Our Sit-Reps have shown an average of 75% resilience in all services. There have been regular Incident meetings and sub-groups to ensure safe delivery of practice. We have issued new guidance to staff, initiated an extensive Work from Home programme, used a monitoring process to measure our performance and continued with key aspects of our Improvement Journey.
3	<p>Demand for school places underestimated and/ or additional school places are not delivered to satisfy increased demand.</p> <p>(Children’s Services)</p>	<p>15 Medium</p> <p>(No change).</p>		<ul style="list-style-type: none"> • The demand for primary and secondary school places continues to be monitored and capital resources allocated to ensure sufficient places are provided to meet our statutory duty. • Public consultation for how SEND Provision Capital Funding allocation of £1.75m for 2018-2021 can be spent to create new places or improve facilities in existing provision has been completed.


	/ Children's Services).			
4	<p>Continuing uncertainty regarding the Council's medium term financial position given the reliance that exists on support from Central Government, cost pressures within the existing budget and major changes that are planned concerning the reform of local government funding (Fair Funding) and the review of the business rate retention system with a planned full reset of business rate baselines expected from April 2021.</p> <p>(Finance & Systems / Finance and Investment).</p>	<p style="text-align: center;">20 High</p> <p style="text-align: center;">(No change)</p>		<ul style="list-style-type: none"> • The 2019/20 budget was agreed on 20th February 2019 by Council in the sum of £169.94m and at year end the budget was underspent by £298k. This included an overspend on service related expenditure of £4.08m mainly relating to additional expenditure in the demand led social care services which was offset by underspending in the corporate budget and funding areas of £4.38m. This included a combination of factors, including additional airport dividend, a release of contingencies and additional income from the Asset Investment Strategy (See Strategic Risk No.13). • This overall position was factored into the budget proposals for 2020/21 which were agreed by the Council on 19 February 2020 when setting a net budget of £175.20m and which addressed a funding gap of £18.50m caused by overall cost pressures of £15.32m and funding reductions of £3.18m. • The budget gap in 2020/21 was met by a combination of new funding, additional income and new savings including:- <ul style="list-style-type: none"> ○ A 3.99% increase in the council tax (1.99% general increase and 2% for adult social care) £3.98m; ○ Income from strategic investments and the Asset Investment Strategy £6.12m; ○ New and continuing savings programmes of £3.93m; and ○ Use of Budget Support Reserve £4.47m. • The significant use of reserves, the majority of which support a major invest to save initiative around children's social care and an emphasis placed on delivery of early help support, mean that combined with the funding uncertainties for 2021/22 and other demand pressures that the budget gap for 2021/22 stands at £15m. This includes for a number of major budget assumptions around future council tax increases and transitional protection from Government following the planned reset of the business rates funding system. <p>Impact of the Covid-19 pandemic:- the outbreak of the virus during March 2020 has had significant and far reaching implications on the Council and the way it has delivered its services during the response phase and how it will deliver them in the recovery phase.</p>


				<p>During March the impact started to be felt financially with an impact mainly on income streams and the provision of digital solutions and hardware to facilitate a rapid increase in home working. These costs amounted to £1.40m and were financed by Government grant funding.</p> <p>Over the last few months focus has been placed on understanding the full financial implications including the short term impact on income streams and additional expenditure together with the short and medium term effects on overall funding from council tax and business rates.</p> <p>Monthly forecasts are provided to MHCLG with the latest indicating a potential full year impact of £41.44m in 2020/21 and to date Government Grant support of £12.66m has been received, of which £1.4m has been applied in 2019/20. These projections can only be indicative at this stage.</p> <p>Measures undertaken so far include a freeze on non-essential spend and restrictions on the use of service earmarked reserves. A full review of reserves and provisions will be undertaken to assess the scope to support the in-year pressures.</p> <p>There are clearly major risks to the sustainability of council finances and its ability to be able to firstly meet the in-year pressures in 2020/21 and also set a balanced budget in later years. This is because of the anticipated recurrent impacts that are likely to be felt on funding and other strategic income streams. At this stage the Council, along with the rest of local government, is lobbying Government from a number of angles to identify both short and longer term funding solutions which will allow it to set a balanced budget going forward and negate any requirement to consider a S114 notice.</p> <p>In the meantime both the Corporate Leadership Team and Executive have started the process of looking at a range of possible budget options</p>
5	<p>Loss / absence and retention of senior managers to the organisation.</p> <p>(People / Finance and Investment).</p>	<p>15 Medium (No change).</p>		<ul style="list-style-type: none"> • Strengthening of the senior leadership team - introduction of new roles at Assistant Director level to aid succession planning. • Leadership development & coaching is available for all managers/senior managers across the organisation to support them in leading and engaging their staff through


				<p>transformational change.</p> <ul style="list-style-type: none"> • An EPIC People Manager offer is in place to ensure managers are conversant with all People management responsibilities. • A succession planning strategy approach helps to retain key skills, whilst up-skilling staff to take on higher graded roles. This approach has yielded several internal succession appointments. Successors will continue to be identified at senior manager level and targeted development initiatives provided to ensure that we are equipped to flex our workforce to react to resource and skills gaps. Each successor will also have access to a coach. • A refreshed performance management approach to the PDR process has been developed. This will enable coaching based development conversations to become the norm and identify senior management potential early. • Trafford Leaders events and leadership conferences are in the diary throughout 2020/21 to enable our senior managers to hear from keynote speakers, benefit from networking opportunities and sharing learning. • EPIC values and a supporting behaviour framework have been developed in line with Trafford's new vision aligned to corporate priorities. • Pro-active attendance management strategy developed and will be rolled out across Trafford with refresher training for managers. • A Health & Well-being strategy is in place with actions to maintain and improve employee morale and well-being.
6	<p>Trafford Council must ensure that it and 3rd parties acting on their behalf are handling personal/sensitive and commercial data securely both in technology and physical terms and in accordance with legislation and Trafford Council's policies and procedures. The following areas of risk have been</p>	<p>20 High (Previously increased from 15-Medium to 20- High in March 2020)</p>		<p>Records Management: There are currently compliance issues to be addressed around records management (retention of both physical and electronic records).</p> <ul style="list-style-type: none"> • A review of the council's physical storage position from both a compliance and cost perspective is underway. A piece of work is following on from this, beginning with a review of the full inventory of boxes in storage <p>Subject Access Requests (SAR): There is an outstanding backlog of subject access requests (which has increased from c. 70 in October 2019 to 114 as of 05.03.20) awaiting response covering Children's Services. Correspondence has been received from the Information Commissioner's</p>

<p>identified:</p> <ul style="list-style-type: none"> • Compliance risks • SAR delays • FOI compliance • Data breaches • Mandatory Training <p>(Governance & Community Strategy / Public Safety, Governance and Reform).</p>			<p>Office (ICO) dated 8 March regarding the Council’s non-compliance with a specific request and also querying the position regarding the Council’s backlog of requests. There is a high likelihood this will develop into a more detailed investigation and result in formal regulatory action. The ICO have in the immediate term pared back their regulatory position in light of the Covid-19 pandemic but it remains a priority to reduce the outstanding backlog of cases.</p> <ul style="list-style-type: none"> • The resources of the IG team have now been increased in recognition of the demanding caseload in this area and it is anticipated will help in efforts to address the outstanding volume of cases. <p><u>Freedom of Information (FOI) / Environmental Information Regulations (EIR):</u></p> <p>The risks associated with the delays in providing FOI/EIR responses was previously brought to the attention of CLT.</p> <ul style="list-style-type: none"> • The Council was the subject of a number of ICO complaints in Q1 2019/20 about delayed FOI/EIR responses. In concluding a case in June 2019, the ICO indicated that the procedural breach (delay) had been recorded as part of their monitoring activities and any further similar complaints may result in consideration being given to enforcement action. The target compliance rate (and ICO expectation) is 90%. Compliance averaged at 86% for the 6 month period spanning Q2 and Q3 of 2019/20, but dropped to 77% in January 2020. Steps will be taken to ensure the compliance rate is addressed and performance is improved. <p><u>Data Breaches:</u> Two significant data breaches have recently been reported to the ICO.</p> <ul style="list-style-type: none"> • The first incident was reported at the end of February. This involved the disclosure of the names and address of adoptive parents to the birth family as a result of the adoption order wrongly being included within a bundle of court papers relating to ongoing care proceedings. The breach has the potential to cause substantial damage and detriment to the individuals affected and could have significant legal, reputational and financial consequences
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				<p>for the council. The ICO has concluded its investigation and decided not to pursue any further action. However, correspondence remains ongoing in relation to a claim/possible litigation.</p> <ul style="list-style-type: none"> • Data Breach Incident: A further data incident was reported to the ICO in May involving the disclosure of the address (and other information) of a domestic abuse victim and her family to the perpetrator of the violence. The breach has the potential to cause substantial damage and detriment to the individuals affected and could have significant legal, reputational and financial consequences for the council. The ICO has concluded its investigation and decided not to pursue any further action. However, correspondence remains ongoing in relation to a claim/possible litigation. <p>More generally, recent data incidents have reinforced that the most common problem involves correspondence (email or by post) being sent to the wrong address/recipient. This is happening with greater regularity than it should and has highlighted the need for a renewed focus on training and awareness raising.</p> <ul style="list-style-type: none"> • An IG Communications plan is being developed as an immediate priority to put together some prominent key messages to display in a variety of media (including the Intranet homepage, screen savers, posters, postcards on desks) to ensure staff are aware of the need to check carefully and thoroughly that correspondence contains the correct information, is being sent to the correct customer and to the correct address. <p><u>Mandatory Data Protection and Information Security training</u></p> <ul style="list-style-type: none"> • As of 4 March 74% of staff had completed mandatory Data Protection training and 71% had completed Information Security E learning modules. This is an improving picture (and work being carried out to improve the quality of training data will see this figure increase further). • The Data Security and Protection Toolkit,
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				<p>an annual submission overseen by NHS Digital, requires local authorities delivering Social Care functions to have a minimum 95% training completion level in order to meet the necessary standard.</p> <ul style="list-style-type: none"> The 2019/20 Toolkit submission must be submitted by the end of September 2020 so an immediate risk if training completion rates are not rapidly improved is that the council will not meet Toolkit standards. <p>Together, the above issues raise the following risks – legal/regulatory (non-compliance with legal requirements), reputational, financial, adverse publicity.</p>
7	<p>University Academy 92: failure to implement programme and achieve possible benefits this may bring in terms of regeneration around Stretford and Old Trafford.</p> <p>(Authority wide - Place) / (Housing and Regeneration).</p>	<p>15 Medium (No change).</p>		<p>University Academy 92 (UA92) was launched in September 2017 to establish a new model of university by bringing together the best of academia, business and sport. It is a unique collaboration involving the Class of 92, Lancaster University, Microsoft, Trafford College and Bruntwood as well as Trafford Council.</p> <p>Trafford Council believe UA92 will help regenerate the area around Stretford and Old Trafford as it presents a fantastic opportunity to revitalise and support local communities to maximise their potential.</p> <p>The Executive has approved that the Council proceed to the next stage of developing the Civic Quarter Masterplan as an Area Action Plan.</p> <p>The official UA92 launch took place on the 19th September 2019, and the university has commenced teaching with an initial student intake of 60-70. UA92 have commenced recruitment for the year two student intake, who would commence in September 2020.</p> <p>An outline planning application has been submitted for the redevelopment of the remainder of the former Kellogg's site, and consultation has commenced on the revised Civic Quarter masterplan.</p> <p>Teaching at UA92 continues to be delivered, but has all moved on line. Recruitment for the September intake has been paused following the Covid-19 lockdown. The university sector nationally will face challenges as we enter</p>


				recovery phase in student recruitment, with potential reductions in overseas students, and recruitment is therefore expected to be competitive. The Council remains in regular dialogue with UA92 as landlord and key partner.
8	<p>A successful Cyber Security Attack could lead to sensitive data being compromised, denial of access to the Council's computing services or severe degradation or loss of control of those services.</p> <p>(Finance & Systems / Public Safety, Governance and Reform).</p>	<p>15 Medium</p> <p>(No change).</p>		<p>The Council is subject to cyber-attacks on a daily basis but a range of technical solutions and processes are in place to protect Trafford's IT systems and data. The volume and level of sophistication of these attacks is increasing so the Council needs to continuously review and improve how it protects systems and data. The National Cyber Security Centre are reporting increased cyber threats during the Covid-19 crisis as criminals take advantage of vulnerabilities.</p> <p>The increase in home working poses security challenges but solutions have been put in place to maintain cyber security. The rollout of Microsoft Teams and the Pulse Virtual Private Network (VPN) have helped protect the Council's data and systems.</p> <p>There remains a significant risk that the Council's defences could be breached even with effective tools and approaches in place, so it is equally important to ensure the processes for dealing with an attack are effective.</p> <p>A detailed assessment of the Council's and CCG's cyber security technical solutions and processes was completed in February 2020 by internal audit.</p> <p>The assessment:</p> <ul style="list-style-type: none"> • Captured a baseline of the current tools and processes; drawing on a number of existing controls that exist including the annual Penetration Test of the Council's network, and completion of the Data Security and Protection Toolkit for the NHS. • Undertook a thorough assessment of the Council's tools, processes, and controls against the National Institute of Standards and Technologies (NIST) (800-53) Framework, this is a US standard built around public service and widely used in the UK. <p>The draft outcome of the assessment was received in March 2020 but the response to the recommendations and action plan has been delayed due to the Covid-19 crisis. The response</p>

				<p>is due to be completed in June 2020 and will include:</p> <ul style="list-style-type: none"> Proposed solutions where the assessment identifies areas for improvement; making the business case for change or investment where appropriate. An agreed improvement plan. <p>Other controls and activities are:</p> <ul style="list-style-type: none"> An internal cyber security group has been formed which meets quarterly to review and manage the Council and CCG's cyber defences and processes. Key IT Managers are attending the National Cyber Security Centre / iNetwork Cyber Resilience Training Programme. Trafford is actively sharing information about potential cyber threats with partners including the North West Warning, Advice and Reporting Point (WARP) and nationally with the NHS CareCert service. The Network People (TNP) provide Trafford Council with specialist security advice to help develop, manage and monitor Trafford's security defences and incident response. <p>Public Services Network (PSN) compliance is maintained which includes annual vulnerability penetration testing of both the internal and external networks. The 2020 penetration test took place in May and the report is due in June.</p>
9	<p>Failure of the Adult Safeguarding Service.</p> <p>(Adult Services / Adult Social Care).</p>	<p>12 Medium</p> <p>(No change).</p>		<ul style="list-style-type: none"> The responsibility for Adults has been transferred to Adult Social Care through the Principal Social Worker role (May 2019). Serious Case Review Panel (Adults) reviewed and in place, has completed several Learning Reviews, a Safeguarding Adults Review (SAR) has been published, more SAR's have now been commissioned and Independent Authors procured. Learning from these processes will be rolled out to staff. Learning review sessions are being delivered to staff across Adult Social Care (ASC). The process of handling provider notifications has been revised. The notifications will be sent to the Commissioning team giving greater oversight of issues across the care market. As part of the adult improvement programme all referrals into Screening are immediately risk assessed and Safeguarding referrals are prioritised. Jointly with children's services and

			<p>Greater Manchester Police (GMP) and Mental Health.</p> <ul style="list-style-type: none"> • There is a discrete Adult Protection Line for members of the public to directly contact social care to raise safeguarding concerns. • There are advanced plans for GMP officers to co-locate with the Screening Team to enhance our response to safeguarding referrals. Daily meetings between the Screening team and the Police are in place. • Considerable work completed on incoming safeguarding referrals resulting in significant improvement in the timeliness of allocation • Consultation completed regarding the creation of a separate Safeguarding Hub for Adults Safeguarding notifications. This change will enable thematic analysis and action planning to gain greater oversight of issues. Union response being sought and finalising of Job Descriptions underway. Following this, final sign off sought corporately and 'Go Live' to be agreed. • Mental Capacity Act (MCA) and Deprivation of Liberty Safeguards (DoLS) e-learning available for all staff and use is monitored. • Increased demand presenting at Screening and the Community Team is being managed with additional staff capacity both short and long term and daily risk management reviews with GMP. • Member training has been completed regarding safeguarding. • All deprivation of liberty safeguarding assessments now allocated immediately due to changes in process and improved staffing arrangements. • Planning work is underway for the implementation of new legislation on Liberty Protection Safeguards. • Additional resources in place from January 2019 to end November 2019 to complete the applications to the court of protection for community deprivation arrangements. • Revised internal joint Legal and Social Care Coroners process introduced January 2019. Review completed June 2019. • Legal/Adult Social Care Surgeries introduced to enable proactive planning with legal services to reduce risk of safeguarding, DoLS etc. Joint Quality Improvement Board re-established with Trafford Clinical Commissioning Group to track and support quality improvement in Care
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				Homes and Homecare. <ul style="list-style-type: none"> • During Covid-19 risk increased as referrals reduced – similar to patterns nationally and similar to patterns in NHS re: A&E use etc. Mitigation – Daily screening and situation advice, adverts on Council Website, media, signposting etc., leaflets in letter boxes, tracking referrals in place, Adults recovery plan underway.
10	Breach of health and safety legislation leading to prosecution under the Corporate Manslaughter Act and other Health and Safety Regulations. (People / Finance and Investment).	20 High (Increase from 10 Medium).	↔	<ul style="list-style-type: none"> • Under COVID-19 exposure risk has increased due to ongoing Pandemic. This has increased overall risk score to high. However strategies in place to manage this risk in line with Govt Guidance through increased home-working where possible, workforce re-integration strategy and support, buildings, service and individual risk assessment approaches and access to PPE where required. • Current Health & Safety Policy and comprehensive arrangements in place. Subject to periodic review as required and available to the workforce via the intranet. • Health and Safety Audit programme in place across all Directorates and schools. This programme includes proactive monitoring of compliance with health & safety law and internal H&S management arrangements. • Policy, arrangements, protocols and guidance for Directorates and schools updated to reflect legislative or organisational changes and any new or emerging risks (in addition, a targeted rolling programme is ongoing). • Health & Safety Unit (HSU) support in the comprehensive assessment and investigation, where required, of health and safety issues or incidents. Facilitates the effective management of risk and statutory compliance. • HSU support in responding to occupational health and workforce referrals to ensure the health, safety and welfare of staff. • Staff consultation processes in place to report and liaise on Health and Safety performance issues. • Competent HSU advisory service with advisors subject to continuing professional development requirements. • Employee Health and Wellbeing Strategy in place which incorporates ill health reduction and mental wellbeing support. • Online training available to support managers and schools in ensuring staff are competent to undertake tasks/role.


				<ul style="list-style-type: none"> • Arrangements in place for the health and safety assessment of providers/contractors prior to approval and for subsequent monitoring of performance. • HSU engagement in Health, Safety, Welfare and Security issues relating to the Council's Corporate and Let Estate through Corporate Landlord and associated focused audits and reviews.
11	<p>Joint Venture partner fails to deliver services to the required standard or fails to deliver required efficiency savings.</p> <p>(Place / Environment, Air Quality and Climate Change).</p>	<p>20 High</p> <p>(No change).</p>		<p>Following the Council's Overview and Scrutiny Committee review into the service delivery of Amey in 2018, a report to Executive on 28 October 2019 has been submitted to agree the next steps. A business case has been submitted and Trafford council will be taking the following option:</p> <ul style="list-style-type: none"> ▪ Consider alternative models of service delivery, including the development of a predominately In-House Service model, with a view to ending the contract with Amey. <p>Should an amicable agreement not be reached with Amey that keeps the council whole and allows services to be undertaken without detriment by an in house or further procurement measure then the council shall;</p> <ul style="list-style-type: none"> ▪ Continue the Amey Contract and seek significant improvements to the delivery of existing services". <p>The risk during any change to the contract of further service standard falls will be mitigated by review measures in the transition agreement and augmentation of the client and support teams.</p> <p>The Covid 19 Crisis has delayed the process of negotiation for this. Amey's performance during this period has been generally good</p>
12	<p>Delay in completing the Business Continuity (BC) Programme Project, resulting in an increased risk that the Council may fail to deliver Council services in the event of significant disruption.</p> <p>(Authority-wide / Public Safety,</p>	<p>15 Medium</p> <p>(Increase from 10 Medium)</p>		<p>A corporate Coronavirus task and finish group has been established to identify business continuity plans to ensure services can be maintained in the event of a local outbreak. The group will monitor the national and local picture and respond to the changing position.</p> <p>As instructed by the Corporate Leadership Team, services are updating their business continuity plans. This is in the event of managing staffing shortages in particular.</p> <p>A previous internal audit review reported a number of areas for development in business</p>

	Governance and Reform).			<p>continuity in relation to the following - roles and responsibilities; identification of priorities including completion of business impact analyses (BIA) to identify the impact of disruptions; co-ordinated planning including incident management, recovery and resumption plans; monitoring to ensure compliance with the agreed process and testing of plans; and to ensure adequate, accessible records are maintained.</p> <p>As reported previously, a Business Case had been approved by CLT and work has since started to undertake a review of the Business Continuity Management process. In response to the COVID-19 crisis, priority was given to mobilise business critical services to ensure effective business continuity. This, therefore, reflects the risk level increasing. Procedures will continue to be reviewed further across the Council during 2020 as part of the review.</p> <p>A meeting has recently been held between ICT and the Emergency Planning Manager to resume the work around capturing more BIAs from across the organisation in continuing to review and improve existing arrangements.</p> <p>(Refer also to the comments regarding Strategic Risks 1 and 8).</p>														
13	Investment Strategy (Finance & Systems / Finance and Investment).	<p>15 Medium (No change).</p>		<ul style="list-style-type: none"> • An updated Asset Investment Strategy was approved in October 2018 to refocus the approach for acquiring new regeneration and investment assets. • In February 2020 the Council agreed to an increase to the Investment Fund to £500m and to date £374m of commitments have been made. This investment to date has already provided a net benefit to support the revenue budget of £1.67m and £3.12m in 2018/19 and 2019/20 respectively. <table border="1" data-bbox="841 1535 1523 1883"> <thead> <tr> <th>Asset Investment Fund</th> <th>Total £m</th> </tr> </thead> <tbody> <tr> <td>Total Investment Fund</td> <td>500.00</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>Capital investments</td> <td></td> </tr> <tr> <td><i>K Site, Stretford:-</i></td> <td></td> </tr> <tr> <td>Equity in Trafford Bruntwood LLP</td> <td>12.25</td> </tr> <tr> <td>Development Loan to Bruntwood</td> <td>12.25</td> </tr> </tbody> </table>	Asset Investment Fund	Total £m	Total Investment Fund	500.00			Capital investments		<i>K Site, Stretford:-</i>		Equity in Trafford Bruntwood LLP	12.25	Development Loan to Bruntwood	12.25
Asset Investment Fund	Total £m																	
Total Investment Fund	500.00																	
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<i>K Site, Stretford:-</i>																		
Equity in Trafford Bruntwood LLP	12.25																	
Development Loan to Bruntwood	12.25																	

Sonova House, Warrington	12.17
DSG, Preston	17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84
Trafford Magistrates Court	4.07
The Fort, Wigan	13.93
Sainsbury's, Altrincham	25.59
Brown Street, Hale	7.49
The Crescent, Salford	60.80
CIS building, Manchester	60.00
<i>Stretford Mall & Stamford Quarter:</i>	
Stretford Mall, Equity	8.82
Stamford Quarter, Equity	16.69
Acquisition loan to Bruntwood	25.89
The Hut Group	67.50
Various Development Sites	1.19
Total Capital Investments	356.86
Treasury Investments:	
Albert Estate	17.62
Total Treasury Investments	17.62
Total Investments	374.48
Balance available	125.52




- To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets.
- Each year all investments are reviewed as part of a risk assessment process by our advisors together with an annual valuation. This review takes account of the rental market, financial health of the tenants and whether anything is likely to impact on future income streams. Since the outbreak of Covid-19 more frequent reviews have been undertaken to identify the potential risk to income streams. The impact is mitigated to some extent due to the broad range of asset classes in the Council's portfolio, including offices, retail and industrial assets. The vast majority of income is derived from tenants that are considered to be low, or below average, risk according to credit agencies Experian and Dunn and Bradstreet. In respect of the loan

				<p>portfolio, these are made a prudent loan to value levels and to borrowers of good covenant.</p> <ul style="list-style-type: none"> • The annual revaluation exercise is used to determine if an appropriate level of debt repayment is being made. It is inevitable there will be changes in valuation year on year but the risks of downward movements in value are being mitigated through a diversified portfolio of assets. • Further risk mitigation is being undertaken through the creation of a “Risk Reserve” through the ring-fencing of an element of the returns and an allowance for debt repayment (in accordance with national regulations). • All investments are scrutinised by an Investment Management Board which includes cross-party representation. • When evaluating potential opportunities extensive legal and property due diligence is undertaken which places a significant emphasis on security and liquidity and includes for example an assessment of the financial strength of the tenants and market sector, length of unexpired lease, location, asset condition and residual land value. • As part of the budget proposals for 2020/21 it was proposed to increase the budget to £500m. The increase will allow borrowing to be undertaken which will be used to finance construction costs on a number of regeneration schemes that are being developed in the borough, including the K Site in Old Trafford, Sale Magistrates Court and Grafton Centre. No additional borrowing will be undertaken unless there is a robust business case behind each project. • The impact of the Coronavirus is already having a marked impact on global economies with a significant impact on stock markets worldwide and potential cuts in interest rates. The impact of this on the Council’s investments is being closely monitored and regular updates are being received from our external advisors. It is inevitable that there will be an impact on rental streams, particularly from some of our town centre investments and for this reason additional resources have been set aside from the commercial income streams to bolster reserves in 2019/20 by £3.50m.
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14	Impact of Brexit. (Authority-wide)	16 High (No change).		<p>Whilst the UK has agreed the terms of its EU departure, both sides still need to decide what their future relationship will look like, which means that there still remains a degree of uncertainty. This will be worked out during the 'Transition Period', which begins immediately after Brexit day and is due to end on 31 December 2020. During this 11-month period, the UK will continue to follow all of the EU's rules and its trading relationship will remain the same. So at the moment, there is no change.</p> <p>In late 2018 the Council commissioned a study, Brexit: An Economic Impact Assessment for Trafford (published in February 2019) to understand the implications on the economy under a Deal and No Deal scenario, and on Council service delivery. A number of the recommendations identified in the Assessment have been enacted including the Council's Brexit co-ordination role being formalised with the Corporate Director for Place acting as the Senior Responsible Officer for monitoring its impact and reporting to CLT. Also an internal project group, the Trafford Brexit Impact Group, has been established to provide the cross-Council mechanism to plan, coordinate, monitor and mitigate against the impacts of Brexit on the Council. The Group has produced a Brexit Preparedness Plan which is a 'live' document to identify key issues and activities to mitigate risk. It will also work with key stakeholders to help deal with the impacts of Brexit on the economy of the borough as a whole, such as the GM Combined Authority. The Trafford Resilience Forum leads on emergency planning and works closely with GM in the Resilience Forum that is co-ordinating with all 10 Local Authorities on civil contingency planning for a No Deal Brexit.</p>
15	Leisure Services (Place/Authority wide)	20	New Risk	<p>All facilities operated by Trafford Leisure Community Interest Company (CIC) were closed from the 20th March 2020, in line with the Government's lockdown. Whilst some members have continued to pay direct debits the vast majority of income to Trafford Leisure has been lost in this time. Trafford Leisure have been able to mitigate some of this loss, with 94% of staff being placed on furlough in line with the Government's scheme, fixed property costs, the 20% top up on furloughed staff and other costs have created a severe financial strain, exacerbating an already difficult position.</p>

				<p>Trafford Council has provided an initial pre-Covid loan of £300,000, and a further facility of £840,000 has been made available.</p> <p>The Council and Trafford Leisure are working on a financial plan to the end of the fiscal year, and a wider review of the Council's leisure strategy in light of the challenging financial position, the condition of leisure assets and the Council's recovery plan.</p> <p>In line with the easing of Government restrictions Altrincham Golf Course is now open, but no date has been given for when indoor leisure facilities will be able to re-open.</p>
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** Note: This indicates the direction of travel in respect of performance in managing the risk and not direction of travel of the risk level.

Key:	
	= Improvement in management of the risk.
	= No change in management of the risk.
	= Deterioration in management of the risk.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 15 July 2020
Report for: Information
Report of: Cllr Barry Brotherton - Chair, Accounts and Audit Committee (2019/20)

Report Title

Accounts and Audit Committee Annual Report to Council 2019/20.

Summary

The report sets out the 2019/20 Annual Report of the Accounts and Audit Committee to be submitted to Council.

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

None

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TRAFFORD
COUNCIL

Accounts and Audit Committee
Annual Report
To Council

2019-2020

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FOREWORD BY THE CHAIR OF THE ACCOUNTS AND AUDIT COMMITTEE

The Accounts and Audit Committee continued to undertake its planned programme of work through 2019/20 in order to provide independent assurance to the Council and the public on the effectiveness of the Council’s governance, financial management, risk management and internal control arrangements. It continues to be independent of the Executive and aims to provide a key role in providing challenge across the organisation.

During March 2020, the COVID-19 pandemic resulted in the cancellation of the final planned meeting of the year but where possible Members were still provided with a number of updates at this time. Prior to this the Committee had covered a broad range of work through the year, gaining assurance from a number of sources.

The Committee is reviewing its planned work programme for 2020/21 in line with changes in statutory requirements and timescales as a result of the pandemic with the aim of continuing to provide its role effectively. This report sets out the work of the Committee during 2019/20.



**Councillor Barry Brotherton
Chair, Accounts and Audit Committee 2019/20**

INTRODUCTION

Role of the Committee

The role of the Accounts and Audit Committee is to:

- provide independent assurance on the adequacy of the risk management framework and the associated control environment,
- undertake independent scrutiny of the Authority’s financial and non financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment, and
- oversee the financial reporting process.

Assurance is gathered by the Committee mainly from the work of Finance Services (including Financial Management and Internal Audit), External Audit (provided by Mazars) and Legal and Democratic Services. Relevant officers within these areas attended various meetings throughout the year. This was supplemented by assurance and guidance from other sources where this was considered appropriate, for example from Council managers and external advisors.

Purpose of the Report

The purpose of this report to Council is to:

- summarise the work undertaken by the Accounts and Audit Committee during 2019/20 and the impact it has had.
- provide assurance to the Council on the fulfilment of the Committee’s responsibilities.

Membership of the Committee

The Accounts and Audit Committee’s Terms of Reference state that its membership in terms of numbers shall be politically balanced within the Council’s current system, and shall not include any Members of the Executive. A non-voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

Accounts and Audit Committee Membership	
2019/20 (as at March 2020)*	2020/21
Cllr Barry Brotherton (Chair)	Cllr Barry Brotherton (Chair)
Cllr Judith Lloyd (Vice Chair)	Cllr Judith Lloyd (Vice Chair)
Cllr Jayne Dillon	Cllr Jayne Dillon
Cllr Anne Duffield	Cllr Anne Duffield
Cllr Barry Winstanley	Cllr Barry Winstanley
Cllr Chris Boyes	Cllr Chris Boyes
Cllr Alan Mitchell	Cllr Alan Mitchell
Cllr Paul Lally	Cllr Geraldine Coggins
Cllr Geraldine Coggins	Ms. Jeannie Platt**
Ms. Jeannie Platt**	

2019/20 Accounts and Audit Committee – Annual Report to Council

*Note: Cllr Liz Patel was Vice-Chair at meetings in June, July and October 2019 prior to leaving the Committee due to being appointed to the Executive. Cllr Judith Lloyd was subsequently appointed Vice- Chair and Cllr Barry Winstanley was appointed to the Committee).

**Appointed from March 2019 as a non-voting co-opted Member.

ACCOUNTS AND AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

Areas covered by the Committee during the year, in line with its remit, included:

- Internal and External Audit;
- Risk Management;
- Corporate Governance, Internal Control and the Annual Governance Statement;
- Anti-Fraud and Corruption, and
- The production of the Statement of Accounts.

The Committee derives its independent assurance from a number of sources including the work of External Audit, Financial Management, Internal Audit and managers across the Council. During the year, these sources of assurance were reported to the Committee on a regular basis encompassing all the themes identified in the Committee's Terms of Reference. The Committee received information at each meeting and provided challenge and feedback to officers and external auditors, therefore fulfilling its responsibilities during 2019/20.

The Committee agreed its work programme at the start of the year to ensure it met its responsibilities. For 2019/20, the work programme included reviewing regular updates on the work of External Audit and Internal Audit; approval of the final accounts; budget monitoring reports through the year; updates on the Council's strategic risk register; treasury management updates on activity and approval of the treasury management strategy; and updates on anti-fraud and corruption, insurance and procurement activity.

Committee meetings were held on the following dates in 2019/20: 19 June, 23 July, 29 July, 30 October and 5 February. There was some disruption to the Committee's 2019/20 work programme as the March 2020 meeting was cancelled due to the COVID-19 pandemic. Where possible, information was shared with Members or reporting deferred to a future meeting.

The Committee fulfilled its role in respect of the approval of the Council's accounts for 2018/19. In October 2019, the Committee had gained assurance through the 2018/19 Annual Audit Letter by the External Auditors (Mazars), that the financial statements give a true and fair view of the Council's financial position and financial performance for 2018/19. The Auditor's report concluded that in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019, except for the overall effectiveness of the Council's services for children. This reflected the outcome of the Ofsted report issued in May 2019 although it was noted that the Council had taken steps to address the issues raised with a Full Improvement Plan in response to the Ofsted findings.

Assurance in terms of the outcome of the 2019/20 External Audit of the Council's financial statements and a conclusion on the Council's value for money arrangements will be reported later in 2020 to the Committee as part of the External Auditor's 2019/20 Audit Completion report. As detailed in this report, due to the COVID-19 pandemic, statutory deadlines for the approval of audited accounts have been revised in accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

2019/20 Accounts and Audit Committee – Annual Report to Council

The work programme also covered consideration of training and awareness for Committee Members which included training sessions outside of the Committee meetings covering the Council's Accounts and Treasury Management.

Details of the work undertaken by the Committee at each of its meetings through the year are set out in the rest of this report.

Accounts and Audit Committee – Work Completed During 2019/20

Internal Audit

Role of the Committee in relation to Internal Audit:

- Review and approve (but not direct) the Internal Audit Charter, Internal Audit Strategy and Internal Audit resourcing.
- Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual audit coverage and whether this provides adequate assurance on the organisation’s main business risks. Review the performance of Internal Audit.
- Receive summary Internal Audit reports and seek assurance on the adequacy of management response to Internal Audit advice, recommendations and actions plans.
- Review arrangements for co-operation between Internal Audit, External Audit and other review bodies, and ensure that there are effective relationships which actively promote the value of the audit process.
- Receive the Annual Head of Internal Audit Report and Opinion.

Work Completed	Outcome/ Impact
<p>June 2019 The Annual Head of Internal Audit Report was submitted, providing an opinion on the adequacy and effectiveness of the Council’s control environment during 2018/19 based on Internal Audit work undertaken during the period.</p> <p>October 2019 and February 2020 The progress of Internal Audit work conducted by the Audit and Assurance Service during 2019/20 was reported to the Committee through the year. This included summary findings from individual audit reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service. Update reports were presented in October 2019 and February 2020.</p> <p>March 2020 As the meeting scheduled for 24 March 2020 was cancelled due to the COVID-19 outbreak, a report on the 2020/21 Internal Audit Plan was circulated to Committee Members with the intention of including this report on the agenda for the next available meeting in 2020/21. The report also included a copy of the Internal Audit Charter and Strategy.</p>	<p>The Annual Report and updates during the year ensured the Committee maintained an overview of the control environment (encompassing governance, internal control and risk management) reviewed by Internal Audit. The Committee was able to raise queries to request further information where applicable and obtain assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly.</p> <p>Accounts and Audit Committee Members were provided with details of planned Internal Audit work for reference ahead of further meetings in 2020/21 where planned work and subsequent findings could be discussed.</p>

External Audit

The role of the Committee in relation to External Audit is:

- To review and consider proposed and actual External Audit coverage and its adequacy, and consider the reports of External Audit and other inspection agencies.
- To receive updates from External Audit on findings and opinions (including the audit of the annual financial statements and the value for money conclusion) and seek assurance as to the adequacy of management’s response to External Audit advice, recommendations and action plans.
- To review arrangements made for co-operation between External Audit, Internal Audit and other review bodies.

Work Completed	Outcome/ Impact
<p>June 2019</p> <p>The Committee received a report from Mazars on the progress made in delivering its responsibilities as the Authority’s external auditor. It was noted that the 2018/19 accounts audit was in progress. The Committee was also provided with information regarding the Audit Fees charged.</p>	<p>The Committee was able to monitor progress in respect of external audit work and advised regarding the basis for the level of audit fees.</p>
<p>July 2019</p> <p>At its meeting on 29 July 2019, the Committee received the Draft Audit Completion Report setting out the findings to date from the External Auditor (Mazars) in respect of the audit of the Council’s accounts for the year ended 31 March 2019 and its work to provide a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money conclusion). In introducing the report the auditor commented on the exceptional quality of the accounts and supporting documents produced.</p> <p>At the end of the meeting, Mazars also presented a further item. This was deemed to be an “Exclusion resolution item” due to the likelihood of the disclosure of exempt information as set out in the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006. Information was therefore not provided for publication. An oral update was presented following correspondence received by the External Auditor and details of conclusions reached from the subsequent investigation.</p>	<p>At the time of the meeting further work was required to be undertaken by the External Auditor to complete the 2018/19 Audit. The Accounts and Committee therefore agreed to delegate its responsibility for the formal approval of the accounts to the Chair of the Committee. (See October 2019 update below for the final outcome of the audit of the financial statements and value for money conclusion).</p> <p>Committee members were provided with assurance that in responding to an extraordinary situation, the Council had not taken any actions which were contrary to its constitution or powers. It was concluded by the External Auditor that it would be helpful for the constitution to contain more detail and guidance in relation to the issue reviewed. It was subsequently agreed that changes would be proposed.</p>

External Audit (Continued)	
Work Completed	Outcome/ Impact
<p>October 2019</p> <p>The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2019, setting out the key findings arising from the work of the External Auditor.</p> <p>The Committee also received a progress update by the External Auditor as at October 2019. This included details of proposed planning for the 2019/20 audit. The reports also referenced a range of national publications which might be of interest to the Committee’s Members in undertaking their role.</p>	<p>The Annual Audit Letter from Mazars confirmed that an unqualified opinion was given on the financial statements referring to their report which stated that ” ..in our view, the financial statements give a true and fair view of the Council’s financial position as at 31 March 2019 and of its financial performance for the year then ended.”</p> <p>The External Audit Annual Letter also concluded that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019, except in relation to issues raised from the Ofsted report issued in May 2019 on Children’s Social Care. The report noted that the Council had taken steps to address the issues raised with a Full Improvement Plan in response to the Ofsted findings.</p>
<p>February 2020</p> <p>The Committee received the External Audit Strategy Memorandum from Mazars which outlined its audit approach and plan to deliver the audit for the year ended 31 March 2020. The report also set out the External Audit fees.</p> <p>Mazars also presented a further progress report on work undertaken and planned as part of the 2019/20 audit. As part of the update, Members’ attention was drawn to a range of national publications deemed to be potentially of interest to the Committee in undertaking its work.</p>	<p>The reports submitted provided the Committee with details of work required to be undertaken as the Council’s external auditor. The Committee was able to continue monitoring progress and ask questions in respect of external audit work undertaken and planned.</p>
<p>March 2020</p> <p>A report by Mazars was circulated to Committee Members providing the latest progress update on its delivery of its audit responsibilities as at March 2020. It was noted that there were currently no significant matters which required reporting at that stage. As part of the update, reference was also provided to a range of recent national publications.</p>	<p>The Committee was able to continue monitoring progress in respect of external audit work. (Further to the update being given in March 2020, given the COVID-19 outbreak, statutory deadlines for the approval of audited accounts were revised from 31 July 2020 to 30 November 2020, which resulted in changes to previously agreed timescales for the completion of External Audit work).</p>

Risk Management

The role of the Committee in relation to risk management:

- Review the adequacy of arrangements for identifying and managing the organisation’s business risks – including the Council’s risk management policy and strategy and their implementation.
- Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- Receive and consider regular reports on the risk environment and associated management action.

Work Completed	Outcome/ Impact
<p>July 2019</p> <p>The Committee was provided with a report on the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment, including updates on each of the risks on the risk register, including changes in risk level.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks.</p>
<p>October 2019</p> <p>A report was submitted by Financial Management providing details of the Council’s insurance arrangements and activity in 2018/19. This included details in respect of insurance costs and claims activity during the period.</p> <p>The Committee received a further update report on the Council’s Strategic Risk Register.</p>	<p>Members asked questions, requested further information and obtained assurance that insurance arrangements are monitored and regularly reviewed.</p> <p>The Committee received assurance on the arrangements for reviewing key strategic risks and considered areas of risk for further updates at future meetings.</p>
<p>March 2020</p> <p>It was originally planned that the Committee would receive a further Strategic Risk Register update but given the cancellation of the March 2020 meeting this was rescheduled to be included as an item at the next available Committee meeting in 2020/21.</p> <p>A presentation on one of the items on the Strategic Risk Register (Cyber Security) was originally planned for the March 2020 meeting and will be included as an agenda item at a later meeting in 2020/21.</p>	<p>The Committee would receive a strategic risks update at its next available meeting.</p> <p>Given the cancellation of the March 2020 meeting, the Accounts and Audit Committee work programme would be reviewed and updated to ensure relevant agenda items were included in future meetings in 2020/21.</p>

Corporate Governance, Internal Control and the Annual Governance Statement

The role of the Committee in relation to the above is to:

- Review effectiveness of corporate governance and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- Conduct a review of the draft Annual Governance Statement, which is a key assurance statement required to be completed each year in accordance with the Accounts and Audit Regulations.
- Approve the final version of the Annual Governance Statement.

Work Completed	Outcome/ Impact
<p>June 2019 A report setting out the 2018/19 draft Annual Governance Statement (AGS) was presented to give Members the opportunity to review the content of the AGS prior to it being finalised.</p> <p>The Committee also received a report setting out the Council’s updated Corporate Governance Code for review.</p>	<p>The Committee was able to ask questions regarding the content of the AGS and Corporate Governance Code at draft stage prior to approving these at a later meeting.</p>
<p>July 2019 The final versions of the AGS and Corporate Governance Code were submitted to the Committee. It was noted that there were no significant changes to the draft versions previously shared in June.</p>	<p>The Committee approved the content of the AGS. The finalised version of the AGS was subsequently signed by the Chief Executive and Leader at the same time as the Audited Accounts were approved in September 2019 and published on the Council website.</p> <p>In addition, further to the report received in June 2019 setting out the updated draft Corporate Governance Code, the Committee approved the updated Code at its July 2019 meeting.</p>
<p>February 2020 A report setting out the proposed approach / timetable to ensure compliance with the production of an AGS for 2019/20 was presented. (noting a final version was due to be approved by 31 July 2020).</p>	<p>Procedures and responsibilities of Members and Officers in the process for producing and approving the 2019/20 AGS were agreed. (Since the February meeting, due to the COVID-19 pandemic, timescales were changed from that shown in the report given the new statutory deadline of 30 November 2020 for completion of the AGS).</p>

Anti - Fraud & Corruption Arrangements

The role of the Committee is to:

- Review and ensure the adequacy of the organisation’s Anti - Fraud & Corruption policy and strategy and the effectiveness of their application throughout the Authority.
- Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

Work Completed	Outcome/ Impact
<p>July 2019 The Committee received a report of the Counter Fraud and Enforcement team outlining the Councils’ fraud prevention and detection performance and activities in 2018/19, as well as the team’s plans for 2019/20. The report included case study examples to show how the team contributes to fighting fraud and protecting public funds. (The Committee will receive an update on outcomes from work completed in 2019/20 at a meeting later in 2020).</p>	<p>The Committee was provided with assurance that the Council is continuing to investigate suspected fraud and support both fraud prevention and detection.</p>
<p>February 2020 As part of the Audit and Assurance Service update report, this included an update on progress made by the Council in contributing to the National Fraud Initiative. This is a nationwide data matching exercise, designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. An update on outcomes from the exercise which commenced in 2018/19 was provided.</p>	<p>The Committee gained assurance that the Council was playing an active role in supporting the National Fraud Initiative.</p>

Accounts / Financial Management

The role of the Committee is to:

- Approve the Council’s Annual Statement of Accounts including subsequent amendments.
- Consider the External Auditor’s report on the audit of the Council’s annual financial statements.
- Be responsible for any matters arising from the audit of the Council’s accounts, including the auditor’s opinion on the accounts, identification of any misstatements, comments on the accounting and internal control systems and qualitative aspects of accounting practices and financial reporting.

Work Completed	Outcome/ Impact
<p>June 2019</p> <p>A report was submitted on the outcome of the review of treasury management activities for the previous financial year. (In advance of the June Committee meeting, a training session was provided for Committee Members on Treasury Management).</p>	<p>The Committee had the opportunity to review the information provided and asked a number of questions including in relation to the checks, balances and review mechanisms associated with treasury management decision making. Assurance was obtained that treasury management activities adhere to all legislative and regulatory requirements including the CIPFA Prudential Code for Capital Finance.</p>
<p>July 2019</p> <p>At an Extraordinary Accounts and Audit Committee Meeting on 23 July, the Committee were presented with a report setting out proposed changes to the Treasury Management Investment Strategy. These were made with the aim to extend the Treasury Management Strategy so that it further supported the Council’s approach in areas around green technology and investments that supported the Council’s asset investment strategy.</p> <p>The Council’s 2018/19 accounts and also the draft revenue budget and capital investment programme outturn reports were presented to the Committee at its meeting on 29 July 2019. Members were advised of the possibility of further amendments to the accounts prior to the formal completion of the audit. (In advance of this Committee meeting, a training session was provided for Committee Members to provide information regards the draft accounts and outturn reports).</p>	<p>The Committee agreed to the recommendations in the report to be made to the next Council meeting.</p> <p>The Committee viewed the final accounts (as they stood at the time of the meeting) and it was agreed that following the completion of the audit, the Accounts and Audit Committee Chair and Corporate Director of Finance and Systems would approve the accounts (Further to the meeting, the Accounts were approved in September 2019).</p>

(Accounts/Financial Management continued)	
Work Completed	Outcome/ Impact
<p>October 2019 A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2019/20.</p> <p>(Also see Risk Management: October 2019 meeting – insurance update provided by Financial Management).</p>	<p>The Committee was able to monitor treasury management performance during the year, in line with the CIPFA Code of Practice on Treasury Management. The Committee was able to ask questions and receive clarification on a number of issues relating to loans and investments.</p>
<p>February 2020 A Treasury Management report was submitted setting out the Council’s strategy for 2020/21 – 2022/23. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy. (In advance of the February meeting, a training session was provided for Committee Members in January 2020 to focus on issues within the Treasury Management Strategy report).</p> <p>The Committee received a presentation on the STAR Shared Procurement Service. This covered aspects of STAR’s activities, achievements and future plans.</p>	<p>The Accounts and Audit Committee recommended that the Council approve the various elements of the Treasury Management Strategy.</p> <p>An opportunity was provided for Members to raise questions which included a focus on work being undertaken to maximise social value when undertaking procurement exercises. It was agreed Committee Members would receive further information and updates as required.</p>
<p>March 2020 A report was circulated to Accounts and Audit Committee Members which explained the accounting concepts and policies which would be used in preparing the 2019/20 annual accounts.</p>	<p>Members were advised there were no material changes to the Accounting Policies for the 2019/20 accounts but were advised of future changes which would apply for the 2020/21 accounts in respect of accounting for leases.</p>
<p>All meetings The Accounts and Audit Committee received the most recent available monthly budget monitoring reports for 2019/20, either at the relevant meeting or information was circulated separately to Committee Members outside of the meetings.</p>	<p>The Committee had the opportunity to review information and raise queries on budget monitoring information submitted through the year.</p>

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 15 July 2020
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2020/21

Summary

This report sets out the proposed work programme for the Committee for the 2020/21 municipal year.

It outlines areas to be considered by the Committee at each of its meetings, over the period of the year. The work programme helps to ensure that the Committee meets its responsibilities under its terms of reference and maintains focus on key issues and priorities as defined by the Committee.

The work programme has been produced taking into account the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 which set out revised statutory deadlines for completion of the Council's Accounts and Annual Governance Statement.

The work programme is flexible and can have items added or rescheduled if this ensures that the Committee best meets its responsibilities.

Recommendation

The Accounts and Audit Committee is asked to approve the 2020/21 work programme.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers: None

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts / Financial Management
15 July 2020	Agree Committee's Work Programme for 2020/21 (including consideration of training and development to include coverage of Treasury Management, Investment Strategy, Draft accounts and the financial outturn position.					
	- 2019/20 Head of Internal Audit Annual Report - 2020/21 Internal Audit Operational Plan (Previously circulated to Members in March 2020)	- Audit Progress Report - 2020/21 Audit Fee Letter (Public Sector Audit Appointments)	- Strategic Risk Register Report	- 2019/20 Draft Annual Governance Statement - Accounts and Audit Committee 2019/20 Annual Report to Council		-Treasury Management update (Annual Performance Report 2019/20) -2019/20 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn Reports - 2020/21 Budget Monitoring Report (Period 2 report to be circulated at a later date following the meeting) -Financial Implications of COVID-19 (report to be circulated at a later date following the meeting)
28 Oct 2020						
	- Internal Audit Monitoring Report (April to August 2020)	- 2019/20 Audit Completion Report	- Strategic Risk Register Report. (Also see	- 2019/20 Annual Governance Statement (final version) - Corporate	- Counter Fraud and Enforcement Team Update Report	- Approval of Annual Statement of Accounts 2019/20 - Treasury

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (Including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts/Financial Management
			Financial Management - Insurance Performance Report 2019/20)	Governance Code		Management : 2020/21 Mid-Year Performance Report - Insurance Performance Report 2019/20 - 2020/21 Budget Monitoring Report (Period 6 report to be circulated at a later date following the meeting)
February 2021 Page 205	- Internal Audit Monitoring Report (September to December 2020)	- 2019/20 Annual Audit Letter - Audit Progress Report - Audit Strategy Memorandum for year-ending 31 st March 2021)	- Strategic Risk update - Cyber Security	- Report on arrangements for 2020/21 Annual Governance Statement	(Ant-Fraud update, within Internal Audit monitoring report)	- Treasury Management Strategy - 2020/21 Budget Monitoring Report (Period 8)
23 March 2021	- 2021/22 Internal Audit Plan - Internal Audit Charter and Strategy	- Audit Progress Report	- Strategic Risk Register Report			- 2020/21 Budget Monitoring Report (Period10) -Accounting Policies - Procurement update (STAR)

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